1	BEFORE THE ARIZONA CORPORATION COMMISSION		
2	ROBERT "BOB" BURNS		
3	BOYD DUNN		
4	SANDRA KENNEDY		
5	JUSTIN OLSON		
6	LEA MARQUEZ PETERSON		
7	1550 (B100000000000000000000000000000000000		
8	ARIZONA PUBLIC SERVICE COMPANY		
ROBERT "BOB" BURNS CHAIRMAN BOYD DUNN COMMISSIONER SANDRA KENNEDY COMMISSIONER JUSTIN OLSON COMMISSIONER IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY FOR A HEARING TO DETERMINE THE FAIR VALUE OF THE UTILITY PROPERTY OF THE COMPANY FOR RATEMAKING PURPOSES, TO FIX A JUST AND REASONALBE RATE OF RETURN THEREON, TO APPROVE RATE SCHEDULES TO DEVELOP SUCH RETURN. NOTICE OF FILING The Residential Utility Consumer Office ("RUCO") hereby provides notice of fil above-referenced matter. RESPECTFULLY SUBMITTED this 4th day of December, 2020. S/ Daniel W. Pozefsky Daniel W. Pozefsky Chief Counsel ORIGINAL of the foregoing will be e-filled this 4th day of December, 2020 with: Docket Control Arizona Corporation Commission			
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14 15	COMMISSIONER A KENNEDY COMMISSIONER COMMISSIONER COMMISSIONER RRQUEZ PETERSON COMMISSIONER MATTER OF THE APPLICATION OF APUBLIC SERVICE COMPANY HEARING TO DETERMINE THE ALUE OF THE UTILITY PROPERTY E COMPANY FOR RATEMAKING SSES, TO FIX A JUST AND NALBE RATE OF RETURN ON, TO APPROVE RATE BULES TO DEVELOP SUCH N. NOTICE OF FILING The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing rebuttal Testimony of Frank Radigan, John Cassidy and Jordy Fuentes in the eferenced matter. RESPECTFULLY SUBMITTED this 4th day of December, 2020. S/ Daniel W. Pozefsky Daniel W. Pozefsky Chief Counsel AL of the foregoing will be his 4th day of December, 2020 with: Control Corporation Commission		
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1	COPIES of the foregoing mailed/emailed this 4 th day of December, 2020, to:	
2	AND STATE OF THE S	
	Adam Stafford	Garry Hays
3	Western Resource Advocates	Law Office of Garry Hays PC
	P.O. Box 30497	2198 E. Camelback Road
4	Phoenix, AZ 85046 stacy@westernresources.org	Suite 230 Phoenix, AZ 85016
8	adam.stafford@westernresources.org	Ghays@lawgdh.com
5	steve.michel@westernresources.org autumn.johnson@westernresources.org	Consented to Service by Email
6	Consented to Service by Email	Giancarlo Estrada
	A Discount of A College	KAMPER ESTRADA, LLP
7	Albert H. Acken	3030 N. 3rd Street, Suite 770
1	DICKINSON WRIGHT PLLC	Phoenix, AZ 85012
_	1850 N Central Ave., Suite 1400	gestrada@lawphx.com
8	Phoenix, AZ 85004 aacken@dickinson-wright.com	Consented to Service by Email
9	Consented to Service by Email	Greg Patterson
121	Consenied to corrido by Email	MUNGER CHADWICK/COMPETITIVE POWER ALLIANCE
10	Armando Nava	5511 S. Jolly Roger
	The Nava Law Firm PLLC	Tempe, AZ 85283
11	1641 E. Osborn Road, Suite 8	Greg@azcpa.org
44	Phoenix, AZ 85016	Consented to Service by Email
	Filings@navalawaz.com	8
12	Consented to Service by Email	Gregory M. Adams
100 Gares	Second Billion	515 N. 27th St.
13	Court Rich	Boise, ID 83702
	ROSE LAW GROUP PC 7144 E Stetson Drive	greg.bass@calpinesolutions.com
14	Suite 300	Consented to Service by Email
4.5	Scottsdale, AZ 85251	Holly L. Buchanan
15	CRich@RoseLawGroup.com Consented to Service by Email	139 Barnes Dr., Ste. 1
	Consented to Service by Email	Tyndall AFB, FL 32403
16	Daniel W. Pozefsky	Holly.buchanan.1@us.af.mil
	RUCO	Consented to Service by Email
17	1110 W. Washington St., Ste. 220	Jason Y. Moyes
	Phoenix, AZ 85007	MOYES SELLERS & HENDRICKS
18	dpozefsky@azruco.gov	1850 N. Central Ave., Ste. 1100
	ifuentes@azruco.gov	Phoenix, AZ 85004
19	procedural@azruco.gov	jasonmoyes@law-msh.com
19	rdelafuente@azruco.gov	jim@harcuvar.com
	Consented to Service by Email	jjw@krsaline.com
20	David Bandar	Consented to Service by Email
	David Bender EarthJustice	2 B2 B2 MA
21	1001 G Street, NW, Ste. 1000	Jason R. Mullis
	Washington DC 20001	WOOD SMITH BENNING & BERMAN LLP
22	dbender@earthjustice.org	2525 E. Camelback Road, Ste. 450
Name and Associated	Consented to Service by Email	Phoenix, AZ 85016 jmullis@wshblaw.com
23	200	greg.bass@calpinesolutions.com
20		greg@richardsonadams.com
24		Consented to Service by Email
24		u experiment for a rough seath of the control of the little of the control of the little of the litt

1	John B. Coffman John B. Coffman LLC	Melissa M. Krueger PINNACLE WEST CAPITAL CORPORATION
2	871 Tuxedo Blvd. St. Louis, MO 63119	400 N. 5 th Street, MS 8695 Phoenix, Arizona 85004
3	john@johncoffman.net Consented to Service by Email	Melissa.Krueger@pinnaclewest.com Thomas.Mumaw@pinnaclewest.com Theresa.Dwyer@pinnaclewest.com
4	John S. Thornton 8008 N. Invergordon Rd.	Andrew.Schroeder@aps.com Leland.Snook@aps.com
5	Paradise Valley, AZ 85253 john@thorntonfinancial.org	rodney.ross@aps.com ratecase@aps.com
6	Consented to Service by Email	Consented to Service by Email
7	Jonathan Jones 14324 N 160th Dr Surprise, AZ 85379	Nicholas J. Enoch LUBIN & ENOCH, PC 349 N. Fourth Ave.
8	jones.2792@gmail.com Consented to Service by Email	Phoenix, AZ 85003 nick@lubinandenoch.com bruce@lubinandenoch.com
9	Karen S. White AFIMSC/JAQ	clara@lubinandenoch.com Consented to Service by Email
10	139 Barnes Ave Tyndall AFB, FL 32403 Karen.white.13@us.af.mil	Patricia Madison 13345 W. Evans Drive
11	Consented to Service by Email	Surprise, AZ 85379 Patricia 57@q.com
12	Kimberly A. Dutcher NAVAJO NATION DEPARTMENT OF JUSTICE	Consented to Service by Email
13	PO Box 2010 Window Rock, AZ 86515 kdutcher@nndoj.org	Patrick J. Black Fennemore Craig, P.C. 2394 E. Camelback Road
14	aquinn@nndoj.org Consented to Service by Email	Suite 600 Phoenix, AZ 85016
15	Kurt J. Boehm	pblack@fclaw.com lferrigni@fclaw.com
16	BOEHM, KURTZ & LOWRY 36 E. Seventh St. Suite 1510 Cincinnati, OH 45202	Consented to Service by Email Richard Gayer
17	kboehm@bkllawfirm.com jkylercohn@BKLlawfirm.com	526 West Wilshire Drive Phoenix, AZ 85003
18	Consented to Service by Email	rgayer@cox.net Consented to Service by Email
19	MAJ Scott Kirk AFLOA/JACE-ULFSC 139 Barnes Dr., Suite 1	Robert A. Miller PROPERTY OWNERS AND RESIDENTS
20	Tyndall AFB, FL 32403-5317 Scott.kirk.2@us.af.mil	ASSOCIATION OF SUN CITY WEST 12817 W. Ballad Drive
21	Consented to Service by Email	Sun City West, AZ 85378-5375 Bob.miller@porascw.org
22	Marta Darby Earthjustice 633 17 th Street	rdjscw@gmail.com Consented to Service by Email
23	Suite 1600 Denver, CO 80202	
24	mdarby@earthjustice.org Consented to Service by Email	

1	Robin R. Mitchell	Thomas A. Jernigan
	Director & Chief Counsel - Legal Division	AFIMSC/JAU
2	ARIZONA CORPORATION COMMISSION	139 Barnes Drive, Suite 1
	1200 W. Washington Street	Tyndall AFB, FL 32403-5317
2	Phoenix, Arizona 85007	Thomas.jernigan.3@us.af.mil
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	legaldiv@azcc.gov	Consented to Service by Email
9	utildivservicebyemail@azcc.gov	Time de NA Ciene
4	Consented to Service by Email	Timothy M. Hogan ARIZONA CENTER FOR LAW IN THE PUBLIC
5	Scott S. Wakefield	INTEREST
ິ	HIENTON CURRY, P.L.L.C.	514 W. Roosevelt St.
_	5045 N 12th Street, Suite 110	Phoenix, AZ 85003
6	Phoenix, AZ 85014-3302	ezuckerman@swenergy.org
	swakefield@hclawgroup.com	thogan@aclpi.org
7	Stephen.Chriss@walmart.com	briana@votesolar.org
	Consented to Service by Email	sandy.bahr@sierraclub.org
Ω		louisa.eberle@sierraclub.org janderson@aclpi.org
U	Shelly A. Kaner	sbatten@aclpi.org
_	8831 W. Athens St.	czwick@wildfireaz.org
9	Peoria, AZ 85382	cpotter@swenergy.org
		miriam.raffel-smith@sierraclub.org
10	Thomas Harris	rose.monahan@sierraclub.org
	Distributed Energy Resource Association (DERA)	brendon@gabelassociates.com
11	5215 E. Orchid Ln Paradise Valley, AZ 85253	Consented to Service by Email
8.8	Thomas.Harris@DERA-AZ.org	
10	Consented to Service by Email	
12	Consented to dervice by Lindii	
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13		
	B. J. D. L. L. E. L. E. L. L.	
14	By <u>s/ Renee de la Fuente</u>	
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ARIZONA PUBLIC SERVICE COMPANY DOCKET NO. E-01345A-19-0236

SURREBUTTAL TESTIMONY
OF
FRANK RADIGAN

ON BEHALF OF THE RESIDENTIAL UTILITY CONSUMER OFFICE

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INTRODUCTION

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Q. PLEASE STATE YOUR FULL NAME, ADDRESS, AND OCCUPATION.

A. My name is Frank W. Radigan. I am a principal in the Hudson River Energy Group, a consulting firm providing services in electric, gas, steam, and water utility industry matters, and specializing in the fields of rates, planning, depreciation, and utility economics. My office address is 235 Lark Street, Albany, New York 12210.

Q. DID YOU PREVIOUSLY FILE TESTIMONY IN THIS MATTER?

A. Yes, I provided Direct Testimony in this case on October 2, 2020 regarding revenue requirement issues and on October 9, 2020 on rate design matters.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

- A. This testimony addresses several issues:
 - I will provide an update to RUCO's revenue requirement to reflect the updated cost of capital and return on equity testimony provided by RUCO witness John Cassidy, a revised Schedule A to fix a math error and an update of RUCO's revenue requirement for an adjustment to compensation for executive officers.
 - I also respond to issues raised in the rebuttal testimony of the Company and the revenue allocation and rate design issues raised by other intervenors in their direct testimony:
 - a. the proposed new adjustor mechanism and coal community transition costs raised by APS in its rebuttal testimony the Advanced Energy Mechanism ("AEM") and Coal Community Transition ("CCT"),
 - the positions of APS and interveners in this case related to the base rate revenue requirement and,
 - c. the testimony of intervenors and APS regarding rate design issues.

While I may not address every detail related to APS' or intervenors' recommendations, it should not be construed that I agree with positions in the rebuttal testimony unless specifically stated herein.

UPDATED REVENUE REQUIREMENT SCHEDULES

- Q. PLEASE DISCUSS RUCO'S UPDATED REVENUE REQUIREMENT SCHEDULES.
- A. Exhibit FWR-32 contains RUCO Schedules A, B and C, which provide an update to RUCO's recommended revenue requirement. This exhibit reflects the updated cost of capital and return on equity recommendations of RUCO witness John Cassidy. The exhibit also reflects a correction for a math erro in my original Schedule A and reflects RUCO's recommended allowance for executive compensation which was requested in Commissioner Bob Burns September 1, 2020 letter to this Docket. APS responded to Commissioner Burns' request for information in a letter to Docket Control in this proceeding dated October 9, 2020. In that letter, APS indicated that it had 22 executives at vice president and above who earned on average \$1,117,321 in 2019 for a total of \$24.6 million (Id). The letter also indicates that the Chairman of the Chief Executive Office and President of APS earned a base salary that total \$1.3 million (Id). This results in a total base salary to executive officers of \$25.9 million.

Company witness Jeffrey Guldner addressed the subject of executive compensation in his November 6, 2020 rebuttal testimony. In that testimony, Mr. Guldner stated that in order to attract and retain highly qualified executives, the Company must offer compensation and benefits that are competitive with other regulated and non-regulated companies (Guldner at 10). He also stated that to ensure that its compensation is market-based and appropriate, APS relies upon an

independent compensation consulting firm to annually review and evaluate executive compensation (Id). Mr. Guldner concludes that he is confident that APS's compensation philosophy is prudent and that our executive team compensation is reasonable and appropriate (Id).

Q. DO YOU AGREE WITH MR. GULDNER?

A. I have no reason to not accept what Mr. Guldner says as accurate, which is that the compensation paid to executive officers might be considered to be reasonable and appropriate. The Pinnacle West 2020 proxy statement indicates that that Pinnacle West's core principles in setting salaries is to structure its compensation program to provide compensation necessary to attract, engage and retain an experienced management team who have the skill sets to succeed in its complex operating environment and can provide consistently strong operating and financial results (Exhibit FWR-33 at page 56).

Pinnacle West pays its executives to both perform well, both operationally and financially. In theory, ratepayers who receive service from a well operated company, providing affordable, efficient and reliable electricity service, derived from prudent decision making, should pay their fair share of compensation. Whether APS has, in fact, met these criteria is a separate issue. There are serious questions regarding customer service adequacy, resource planning, and proposed dates for the retirement of existing generation assets.

Shareholders benefit from executives whose work results in good financial performance compared to their peer companies and shareholders should be willing to pay market-based rates for that service. The question here is how to properly allocate the cost for that talent between ratepayer and shareholder.

Based on my review of past ACC decisions, when there is an expense item that benefits <u>both</u> shareholder and ratepayers, and no study showing a precise and proper allocation, the ACC has generally ruled in favor of a 50/50 allocation between ratepayer and shareholder. I provisionally propose that outcome here. I recommend that the ACC jurisdiction allocation of the 2019 base salaries be reduced by 50% which results in a reduction in operation and maintenance expense of \$12.2 million.

The new RUCO schedules that reflect Mr. Cassidy's and my recommendation result in a revenue decrease of \$50.0 32.944 million or (1.50%), which should be allocated equally amongst rate classes

COMPANY REBUTTAL AND INTERVENOR TESTIMONY ON RATE DESIGN

Proposed New Adjustor Mechanism

- Q. PLEASE DISCUSS THE PROPOSALS BY APS FOR A NEW ADJUSTOR
 MECHANISM TO RECOVER COSTS OF ITS CLEAN ENERGY COMMITMENT
 AND ITS PROPOSED COAL COMMUNITY TRANSITION FUNDING.
- A. Company witness Jeffrey Guldner introduces the concept of the Advanced Energy Mechanism ("AEM"). Mr. Guldner states that the AEM would be used to recover the costs associated with the significant clean energy investments the Company will be making to meet its Clean Energy Commitment (Guldner at 6). Mr. Guldner further explains that APS is also committed to pursuing securitization for retiring assets which could be used to help lessen customer rate pressures (*Id*). Mr. Guldner also explains that while APS is committed to its pursuit of a clean energy future, without this mechanism or something equivalent, progress in this transition will be slowed, creating a significant burden on the Commission, the Company and intervenors due to the frequency of rate cases required to recover investments

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(Guldner at 7). Mr. Guldner allegess that to meet APS' clean energy commitments without contemporaneous recovery provided by the AEM will pressure the credit quality of the Company and, consequently, its credit ratings (*Id*).

Mr. Guldner concludes with the thought that the Company's credit quality is critical to raising capital at low cost for the benefit of our customers (Id). I find it very unusual that a large utility such as APS would make a major clean energy commitment which would require early retirement of major generation assets and the acquisition of renewable generation without first considering the financial impacts on the Company. APS has failed to update the rate case to include its proposal and the means to fund it. In short, APS promised something either not knowing whether it could be funded, or it did know and waited until Rebuttal

testimony to insert its unsupported request into the record.

The second new proposal in Mr. Guldner's testimony is the Coal Community Transition ("CCT"). He explains that the Clean Energy Commitment made by APS and the APS pledge to end coal-fired generation by 2031, (seven years earlier than had previously been announced), will have a negative economic impact on those communities whose economies are dependent upon those plants and mines (Guldner at 9). He cites no studies or economic analyses which support this premise and calculate the negative economic impacts. He may be relying on claims by other intervenors, but if so, fails to make that clear. Nor does he explain how APS evaluated these claims.

Mr. Guldner states APS has come to an "agreement" to assist transition in the Navajo nation communities for a total of \$128.75 million in funding (Id). He fails to identify the parties to or the full terms of this agreement. The funding for this

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undertaking would include \$23.75 million from shareholders and over \$100 million

from ratepayers, over a duration of ten years (Id). Mr. Guldner also explains that

APS would like to assist the Hopi Tribe and the neighboring communities around

the Cholla coal plant in Navajo County (Id). He fails to identify how APS identified

these neighboring communities. APS proposes to give \$15.7 million to these

affected communities. \$1.45 million would be contributed by shareholders and the

remainder would be paid by ratepayers (Id). He also states that APS has also

committed to funding for electrification efforts, transmission development and

regional economic development efforts (Id).

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Mr. Guldner fails to explain what criteria were used to identify the entities who would

receive ratepayer largess, nor does he explain how he arrives at the sums he

proposes. If APS desires to enter into a settlement among parties to this case,

which would not require funding by ratepayers, RUCO would have less concerns.

Shareholders may certainly enter into agreements which they believe will create

goodwill for the Company, but APS should not burnish its corporate reputation at

ratepayer expense.

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APS acknowledges that parties other than APS may make financial commitments

to support the CCT. It is for this reason that a decision regarding the CCT proposal

should be deferred until a comprehensive review of options is assessed in another

generic docket. Ms. Lockwood states that: "APS will support the Nation and other

coalitions in seeking other funding (emphasis supplied) for assistance with

community transition. APS also commits that it will support and encourage other

Four Corners participants to make similar Commitments of support. It should be

clear that the commitments made in this testimony are on behalf of APS only."

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(Lockwood page 20). The language "encourage and support" is manifestly vague and unenforceable. Encouragement and support are not specific business actions.

DO YOU BELIEVE A NEW ADJUSTOR MECHANISM IS APPROPRIATE AT Q. THIS TIME?

Absolutely not. As noted in my direct testimony, the Clean Energy Commitment was announced almost three months after the filing of the rate case and the rate case was never updated to reflect that. The AEM and CCT have just been brought up at the rebuttal stage and no intervenor has had the ability to investigate or analyze their appropriateness. APS provided no analysis justifying the funding it recommends, nor how the apportionment of costs between ratepayers and shareholders was derived. With respect to the AEM, APS seemingly seeks a blank check to do whatever programs and investments it undertakes, under the banner of clean energy and have ratepayers pay for it without any meaningful determinations regarding prudency, efficiency, cost-effectiveness and the achievement of quantifiable goals. The CCT is in essence, a pledge by APS, without any input from the Commission or ratepayers, to give away approximately \$125 million of ratepayer money for amorphous "benefits" to non-ratepayers, and which are wholly unrelated to cost of services to customers.

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APS has every right to offer these for consideration but adjudication of them requires thoughtful care and analysis which cannot be done at this late stage in the proceeding. As such, they should be rejected in this rate case. APS is certainly welcome to find another venue to make these requests. Mr. Fuentes recommends in his testimony that the Commission adopt a provision in a recently issued Recommended Opinion and Order in the TEP rate case that issues relating to the impacts of the closure of fossil fuel generation be addressed in a generic docket.

These venues include a new docket, its next rate case or the ongoing proceeding which is considering APS April 27, 2018 application for a Selective Catalytic Reduction ("SCR") adjustment to recover the cost of APS installation of \$500 million in Selective Catalytic Reduction equipment at the Four Corners power plant. I note that this last option may be preferable as the Sierra Club's direct testimony in this case David Schlissel requests much analysis be done on Four Corners and its costs (Schlissel at 4).

Four Corners SCRs

- Q. PLEASE DISCUSS THE WHETHER THE FOUR CORNERS SCR RATE BASE
 AND INCOME STATEMENT DEFERRALS SHOULD BE REFLECTED IN THIS
 RATE APPLICATION.
- A. The Four Corners SCRs have some background so let me first start with summarizing the main facts to date. As part of the Settlement Agreement approved in Decision No. 76295, the Company was authorized to defer for later recovery the costs related to the SCR equipment and OMP.

On April 27, 2018, APS filed with the Commission an application for approval of a Selective Catalytic Reduction ("SCR") Adjustment as permitted in Decision No. 76295. The purpose of the SCR adjustment was to permit recovery of the annual revenue requirement for its share of the costs related to the installation of the SCRs on the Four Corners Power Plant ("Four Comers") Units 4 and 5.

On November 17, 2018 an opinion and order was issued by Administrative Law Judge ("ALJ") Belinda A. Martin regarding the proposed SCR adjustment which recommended its approval but the Commission has yet to rule upon that recommended opinion and order.

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In this proceeding, through the testimony of APS President Jeffrey Guldner stated that APS recommends that ALJ Martin's Recommended and Opinion and Order be preserved and the SCR project to stay on its own separate path (Guldner Direct at 5). Mr. Guldner also stated that should the Commission elect to rule on these two items simultaneously, the impact to customers would be \$73 million (Id).

On January 22, 2020 APS issued a press release announcing its newly adopted

Clean Energy Commitment which is centered around a goal to deliver 100 percent

clean, carbon-free electricity to customers by 2050 (See Exhibit FWR-3). The goal

includes a nearer-term 2030 target of achieving a resource mix that is 65 percent

clean energy, with 45 percent of our portfolio coming from renewable energy. APS

will end all coal-fired generation by 2031, seven years sooner than previously

projected (ld).

In response to APS' announcement, Commissioner Burns wrote a letter to this Docket and noted that with the early closure of Four Corners there will be stranded costs from the plant that will need to be recovered (Exhibit FWR-5). Commissioner Burns requested that APS develop and submit a comprehensive analysis of the rate impacts, of the early retirement, for the Commission's consideration in this rate case. Included in this analysis, Commissioner Burn's specifically asked for the utility to examine the issue of "securitization" as a means to minimize rate impacts (Id).

In my Direct testimony I stated that the APS Clean Energy Commitment and its resultant stranded costs warrant careful examination of the rate impacts. (Radigan direct at 16). Without the benefit of that analysis, I stated it would be premature for

RUCO to endorse the utility's request to include the costs of the SCRs in base rates

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at this time and the Commission should eliminate the SCRs from the revenue requirement in this proceeding at this time (ld).

On November 6, 2020 APS wrote a letter to Docket Control in this proceeding and stated that it had performed the analysis requested by Commissioner Burns and that the analysis demonstrates that securitization can reduce customer's cost. APS caveated this analysis by also stating that securitization worked best when coupled with an efficient method to recycle capital expenditures by investing in clean energy and a recovery mechanism such as an Advanced Energy Mechanisms which it did not define.

Q. DID APS SUPPORT YOUR RECOMMENDED TREATMENT OF THE FOUR CORNERS SCRS?

No. Company witness Blankenship cites the terms of the Settlement Agreement adopted in Decision 76295 and ALJ Martin's Recommended and Opinion and Order which approved the SCR Adjustment for the cost recovery of the SCRs (Blankenship Rebuttal at 16). Also, she notes that the investment in the Four Corners SCRs was previously supported by RUCO as prudent, is indisputably used and useful, and will continue to benefit customers (Id). Ms. Blankenship also points to the rebuttal testimony of APS witness Barbara Lockwood about the prudency of the Four Corners SCRs.

Ms. Lockwood states that Four Corners is, and will continue to be, an essential part of APS's generation fleet for the needed capacity and reliability (Lockwood Rebuttal at 14). With respect to securitization she states the Company is committed to pursuing the idea as it could prove to be a very useful tool to recover the remaining book value of fossil generating units as the Company, customers and the

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Commission move to a cleaner energy future for Arizona (Id). At this time, she states that the Four Corners asset is used and undoubtedly useful and should be recovered through rates (Id).

Q. WHAT IS RUCO'S REPLY TO THE COMPANY'S REBUTTAL?

RUCO is more convinced than ever that this proceeding is not the venue to address any aspect of the Four Corners SCR as there are too many important aspects to it that have not been adequately addressed in the review of the proposed SCR Adjustment. First was the Clean Energy Commitment that was initially introduced almost three months after the Company filed its rate case, this alone raises the question of the prudence of the Company's decision to invest almost \$500 million into the plant less than two year before the Clean Energy Commitment was announced. Second, the Company now wants to have the Commission approve a Coal Community Transition Plan for expenditures of \$145 million dollars which includes \$24 million dollars from shareholders, leaving a balance of \$120 million, to be supplied by ratepayers. The plan would provide funds to communities affected by an APS decision to abandon coal early. The Company made this decision without consulting the Commission or other affected stakeholders. Third, the Company admits that securitization is the least costly way to address these issues but does not make a firm commitment to do so. At the same time, it insists that the Four Corners SCRs be included in rates so it can profit from it. Fourth, the Sierra Club Direct testimony in this proceeding is stating that its analysis found that APS would enjoy substantial savings if it were to retire Four Corners Units 4 and 5 as quickly as possible instead of in 2031 (See Sierra Club Witness Comings at 28). Fifth, at the rebuttal stage of the proceeding APS now proposes to recover investments related to the Clean Energy Commitment through a new Advanced Energy Mechanism, the AEM, whereby APS is proposing to recover investments

related to the Clean Energy Commitment. Sixth, on September 8, 2020 APS filed a prospectus with the Security Exchange Commission for a \$400 million of long-term debt to fund existing then future "Green Energy Expenditures." APS defines the eligible "Green Energy Expenditures" as renewables, energy storage, energy efficiency, climate change adaptation, and clean transportation. Items fix and six above, are essentially asking for a blank check for pre-approval of any production related investment the utility wishes to make and profit from under the banner of clean energy. I have included the bond offering prospectus as Exhibit FWR-34).

I would also like to note for the record that APS has been very active in the bond market since the end of the test year. Since the end of the APS test year, the twelve months ending June 30, 2019, APS has made five filings of prospectuses for bond offering that total \$1.7 approximately billion with a weighted average interest rate of 3.05%. This compares to the Company's long term debt at the end of the test year of \$4.7 billion at a weighted average cost of debt of 4.1% (Exhibit JAC-1). I am advised by RUCO witness Cassidy that the Value Line forecast of Pinnacle West's (the parent of APS) has a long term (2023-2025) debt equity ratio of 54%/46% as compared to the test year debt/equity ratio of 45%/55% (Id). Both of these projected changes could significantly lower APS's costs and assist in tackling the issues which result from the Clean Energy Commitment. Based on the projected cost of debt and capital structure if a forecast capital structure was used, RUCO calculates that rates could be reduced by a further \$43.5 million per year. If the utility could fully take advantage of the current long-term interest rates and reduce its long term debt rate by 1%, the savings to ratepayers would be a further \$59 million. Together these efforts could reduce rates by \$102 million or approximately 3% and should be considered in the potential new docket recommended above.

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RUCO believes any one the issues listed above would require a separate proceeding to thoroughly investigate outside of the remaining time left in this rate case given that none of them were filed with the original rate application. Together, however, the topics are so large and so intertwined they demand a separate proceeding to properly analyze and obtain input from affected stakeholders. This is especially true for securitization as the utility is on the record may take some time. RUCO believes the best and fastest way for the securitization issue to be fruitful is for APS to wait until the conclusion of that proceeding before it collects any money on its investment in the Four Corners SCRs.

A.

Cash Incentive

Q. PLEASE DISCUSS THE ISSUE OF THE CASH INCENTIVE THAT APS PAYS ITS EMPLOYEES.

In my Direct testimony I made an adjustment to eliminate \$25.592 million of the ACC jurisdictional \$32.789 million of cash incentives that APS paid its employees as bonus in the test year. The basis for my adjustment to the bonus amount paid is that the bonuses are largely tied to improving APS's financial performance rather than customer service and the Commission precedent is that when an expense benefits both shareholder and ratepayers the shareholders should pay their appropriate share of the expense (Radigan direct at 17-20). Company witness Blakenship objects to this adjustment arguing that the cash incentive is a valid cost available to employees for their participation in meeting goals that align the success of the business with the interests of APS customers (Blankenship Rebuttal at 18). Ms. Blakenship further notes that no intervenor in the docket has alleged, let alone provided any evidence, that APS's overall employee compensation is by some standard "excessive" or "unreasonable (Id). Finally, Ms. Blankenship notes that giving cash incentives to employees to meet financial targets and goals directly

(Blankenship Rebuttal at 18).

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Industry Association Dues

Q. PLEASE DISCUSS THE ISSUE OF INDUSTRY ASSOCIATION DUES.

shareholders and ratepayers and my adjustment should be adopted.

In my Direct testimony I recommend reducing operation and maintenance expenses related to membership dies related to industry trade association be reduced by \$1.8 million to reflect the duality of benefits between ratepayer and shareholders from the Company's participation in them (Radigan direct at 21-22). In my Direct testimony I gave several examples of how both shareholders and ratepayers benefit from membership in these organizations and cited Commission decisions where a sharing of costs between ratepayers and shareholders was upheld (Id). In Rebuttal Company witness Leland Snook objects to the adjustment

benefit customers through reduced rates as costs are effectively reduced

Ms. Blakenship makes some good points that the cash incentive is not an

unreasonable amount and is a valid cost. Those points are not in question. That

said, there are many ways that the Company can meet and improve its financial

targets and not all of them result in long term cost cutting measures; there is no

assurance that the award levels will be repeated in future years. It is without

question that both shareholders and ratepayers stand to benefit from die

achievement of performance goals. RUCO's adjustment removes the portion of the

incentive compensation expense that is directly tied to the benefit of shareholders

and allocates it to shareholders. The portion where both shareholders and

ratepayers can benefit should be allocated equally between shareholders and

ratepayers and that is what my adjustment does. This methodical approach

provides an appropriate balance between the benefits attained by both

Surrebuttal Testimony of Frank W. Radigan Arizona Public Service Company

Docket No. E-01345A-19-0236

on the grounds that APS already excludes the portion of EEI dues related to legislative or regulatory advocacy and the remaining dues should be fully recoverable as a prudent expense to be a member of valuable electric industry trade organizations (Snook rebuttal at 9).

Mr. Snook is correct that there are prudent expenses and APS has already removed the portion of expense that relates directly to the legislative and regulatory advocacy of membership in EEI and I did not seek to include those costs in my adjustment in any way. In fact, my adjustment was based on the amount that APS sought recovery of in this rate case after the portion of the direct expense for legislative and advocacy activities were removed (See Exhibit FWR-18). It is this net portion that should be shared proportionately between ratepayers and shareholders and my adjustments, consistent with past Commission decisions on the issue, does that and it should be adopted.

Post Test Yar Plant Additions

Q. PLEASE DISCUSS THE ISSUE OF POST TEST YEAR PLANT.

A. In my Direct testimony I proposed reducing the Company's proposed amount of post test- year plant additions from the requested amount of \$773.3 million down to \$608 million (Radigan direct at 6-10). This adjustment reflects the fact that not all forecast post test-year e p additions were actually completed on time but also reflects my removal of projects whose total costs were less than \$5 million as these projects were so small compared to the Company's overall construction budget which nears almost \$1 billion that excluding them from rate base would not impair the utility's financial health (Id).

Company witness Jacob Tetlow disagrees with any adjustment and argues that projects under S5 million are still important and necessary to the efficient and safe operations of the utility and, when prudently invested, should be included in rate base (Tetlow rebuttal at 7). Mr. Tetlow then proceeds to give several examples of projects completed after the end of the test year that while low cost, provide valuable safety and reliability benefits (Tetlow rebuttal at 7-9).

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As I noted in my direct testimony and Mr. Tetlow discusses in his Rebuttal testimony, Docket No. AU-000A-19-080 is a generic docket opened to discuss PTYP policy. It is important to note that the PTYP Docket is examining six questions on what criteria should be considered on whether to include PTYP in rates. These criteria are

(1) allowance in only special or unusual situations,

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(2)

(3)

investment such that not including the PTYP in the cost of service would

is the magnitude of the PTYP investment relative to the utility's total

jeopardize the utility's financial health,

the cost of the PTYP is significant and substantial

(4) the investments are not being made to generate or support system growth or new customers,

(5)the plant additions are prudent and reflects appropriate and timely decisionmaking, and,

(6)the investments can be verified as to whether they are/will be in service by the date of the hearing in the docket.

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In this case, the Company Has certainly met criteria (4)-(6). For example, I do not take issue with Mr. Tetlow's examples of low cost but important construction Docket No. E-01345A-19-0236

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Property Taxes

Q. PLEASE DISCUSS THE ISSUE OF PROPERTY TAXES ON POST TEST YEAR PLANT ADDRESSED BY COMPANY WITNESS BLANKENSHIP.

amount of PTYP plant to maintain its financial health.

projects that have already been completed. I am sure he could produce even more

examples if requested. As to criteria (1) there is nothing special or unusual about

the projects being included in PTYP. Thus, we are left with criteria (2) and (3) and

both of these relate to the financial size of the PTYP plant relatively to the utility in

question. Here, my adjustment to exclude small projects, less than \$5 million,

excludes \$130 million of the \$773 million originally proposed. APS's rate base at

the end of the test year was \$8.5 billion. Thus, \$0.130 billion out \$8.5 billion

represents an increase in rate base of 1.5%. This relatively small amount of money

cannot be considered significant when compared to the utility's total investment nor

has there been any showing by the utility that excluding this amount from rate base

would jeopardize its financial health. Absent such a showing I believe RUCO's

adjustment strikes the proper balance of providing the utility with an adequate

A. In my Direct testimony I recommended eliminating the Company's proposed inclusion of \$11.1 million of property taxes associated with post test year plant additions (Radigan direct at 17). I made this adjustment because there is a lag between when utility plant is placed in service and the plant appears on the tax assessor's tax rolls and the utility has to pay property tax on that property. This is completely understandable and logical because the plant must be placed into service then reported to the tax assessor who then calculates a tax rate for an upcoming period (generally the next fiscal or calendar year) and bills the utility at the assessed rate based on that historic plant balance. In the last APS rate case APS acknowledged that the lag time between when utility plant is placed in service

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and the time the utility is obligated to pay property tax on that property is two years (Id and Exhibit FWR-12).

In Rebuttal, Company witness Elizabeth Blakenship objects to this adjustment on the grounds that at some point in the future the Company will have to pay property taxes on the property and therefore the taxes are a known and measurable amount and should be included in rates (See Blankenship rebuttal at 11). Ms. Blakenship further argues that by including the anticipated expense in rates it allows the utility recovery for the period between when new rates go into effect and the next rate case (Id). Finally. Ms. Blakenship states that if the property tax disallowance is accepted APS's cash working capital allowance, and hence its rate base, would need to be increased accordingly (Blankenship rebuttal at 11-12). Ms. Blakenship cites three Commission decisions in which property taxes were included as part of the revenue requirement to support her position (Decision Nos. 71448, 73183 and 76295).

Ms. Blankenship's arguments are unpersuasive for several reasons. First, she does not dispute the fact that there is a lag between when utility property is placed in service and when the utility is obligated to pay property tax expense on it. Second, she does not dispute that the lag period is two years. Third, the three Commission decisions she uses to support her position that property taxes on post test year plant should be included in rates were all decisions that approved settlements and settlements have no precedential value. remember that the issue is property taxes associated with post test year plant and that has a defined period in this case and that is twelve months after the end of the test year (the twelve months ended June 30, 2019). As Staff witness Ralph Smith testified, inclusion of PTYP gives rate recognition and commences cost recovery

for non-growth-related plants that have been placed into service subsequent to the end of the test year but within a defined period that is subject to verification in the utility's rate case (Smith direct at 19). As the property tax expense will not be incurred in that defined period, there is no reason to include it in rates.

Depreciation

PLEASE DISCUSS THE ISSUE OF AVERAGE SERVICE LIFE FOR Q. DISTRIBUTION PLANT.

Company witness Dr. Ronald White disagrees with my recommended changes to A. his proposed average service lives for distribution accounts as he claims that my analysis was limited to the visual curve fitting (See White rebuttal at 3). Dr. White goes on to explain that visual curve fitting is an application of descriptive statistics used to summarize and describe data through numerical calculations, graphs or tables and it is not an actuarial method of life analysis (ld).

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Dr. White is simply incorrect that I only did a visual curve fitting and did not do actuarial analysis. As I stated repeatedly in my testimony for each account, I reviewed both the results of the mathematical curve fitting and then graphed that analysis against the observed life table to determine the best fitting lowa curve. For example, Account 369 – Services where Dr. White recommends a 55-year average service life with a L1 lowa curve as the best survivor curve to describe how the property will survive. In my testimony, I noted the following "the mathematically curve fitting shows that the best fitting curves have average service lives of 75-85 years. When I potted various curves to the data, I chose a R0.5 curve with a 65year average service life. Admittedly, my curve is still below most of the observed life table, but I believe it's a necessary and positive step to start moving the used

average service life closer to the indicated average service life. I recommend my curve and service life be used (See Exhibit FWR-28)." (Radigan Direct at page 39).

Exhibit FWR-28, like all my exhibits for depreciation, contains the three items, 1) a graph of the observed life table, my recommended average service life and the Company's recommended average service life, 2) the data for the observed life table developed from the Company's accounting records, and 3) the results of the mathematical curve fitting process for first second and third degree polynomial curves which came from the Company's workpapers and are a result of an actuarial analysis. Dr. White's rebuttal testimony in this regard should be given no weight.

Q. DOES DR. WHITE HAVE ANY OTHER COMMENTS ON YOUR TESTIMONY?

A. Yes, Dr. White also criticizes the actual calculations of the depreciation expense from the recommended depreciation parameters as he generally describes my calculations as "flawed" (White rebuttal at 6-7). Dr. White gives no indication of the monetary value of the flaws.

Upon review of his rebuttal I believe most of the differences between Dr. White and I are judgment and not substance. For example, Dr. White states I changed the net salvage rate for 10 distribution accounts and set the historic net salvage rate and the future net salvage rates as the same which is incorrect (White rebuttal at 8). It is not incorrect; I just happen to believe that the net salvage rate for an account should be set as one value rather than two. On a similar vein, Dr. White criticized my calculation of the Four Corners because I removed the value of the Four Corners SCRs but did not rebalance reserves as he would have done and he states this impacts the calculated accrual rate (White rebuttal at 7-8). Again, this is a matter of judgment as Dr. White always recommends a rebalancing of reserves

between accounts when he does a depreciation study (Exhibit REW-2DR at 15). I do so only when it is necessary. I see no reason to change anything in my testimony at this time.

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RATE DESIGN

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Q. PLEASE DISCUSS THE RATE DESIGN ISSUES RAISED BY APS AND OTHER PARTIES.

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intervenors. These issues include the allocation of the revenue requirement, proposed changes to shorten the on-peak period, a proposed change to the definition of the summer period from the current six month period (May-October) to

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a four month period (June to September), elimination of the R-XS rate, elimination

RUCO responds to several important rate design issues proposed by APS and

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of super off-peak rates, and the elimination of time differentiated rates for the

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demand rate classes. I will discuss each of these issues in turn.

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PLEASE DISCUSS YOUR CONCERNS WITH THE ALLOCATION OF THE Q. REVENUE REQUIREMENT.

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Both Staff and Freeport Minerals propose revenue allocations which would allocate the residential rate class a larger than average increase in rates (Freeport Minerals)

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or less than average decrease in rates (Staff) when compared to the average

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change in rates. Both parties cite the results of the embedded cost of service study

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to support their position. RUCO supports neither party and continues to believe a revenue allocation that treats all customer classes equally is the best result for this

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proceeding. RUCO has two reasons for its position. First, the numerous and

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dramatic rate changes made in APS's last rate proceeding produced a great deal

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of confusion, undue rate impacts and anger amongst customers. Second, RUCO's rate change, -1.5%, is small so a reallocation of revenues would not have a

meaningful impact on the relative rates of return of rate classes. Together, RUCO believes that this case should concentrate on resolving the major rate design issues that arose from the last case and address interclass subsidies for APS's next rate proceeding. Second, the numerous and dramatic rate changes made in APS's last rate proceeding produced a great deal of confusion, undue rate impacts and anger amongst customers.

Q. PLEASE DISCUSS THE ISSUE OF SHORTENING THE ON-PEAK PERIOD AND THE DEFINITION OF THE SUMMER SEASON.

A. Staff witness Dismukes proposes to shorten the peak period pricing window from the current five-hour window of Monday through Friday from 3 p.m. through 8 p.m. to Monday through Friday from 4 p.m. to 7 p.m. (See Dismukes at 47-49). Similarly, Solar Energy witness Kevin Lucas proposes to change the on-peak period to Monday through Friday from 2 p.m. to 7 p.m. (See Lucas at 57-65). Also, Southwest Energy Efficiency Projects witness Brendan Baatz proposes to shorten the current 5 hour on-peak period to 3 hours (six-month See Baatz at 13-26). Finally, Solar Energy Witness Lucas proposes to shorten the summer period from the current six-month period to a four-month period.

Q. DO YOU AGREE WITH THESE PROPOSALS TO SHORTEN ON-PEAK PERIODS AND SHORTEN THE SUMMER PERIOD?

A. No. The current five on-peak period comprises 30 hours of each week out of the week's 168 hours (24 hours times 7 days a week). Thus, the peak period is 18% of the entire hours in a week. Peak period rates are higher than off-peak rates by a significant margin in order to encourage energy conservation. Depending on the

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service class, peak period revenues range between 33%-60%¹ of total revenues for the summer period, under the current rate structure. Staff's proposal for a threehour peak period shortens the peak period from 30 hours to 15 hours per week. Shortening the on-peak period by 50% would result in very large bill impacts if the current peak period revenues were to still be collected in the new peak period. If peak period rates are not changed, a shorter time period would result in less revenue being collected on-peak and a recalibration of off-peak rates would be required to collect the resultant revenue shortfall. This in turn would cause off-peak rates to increase which again may result in undue rate impacts. Also, making the rate differential smaller, (the difference between the on-peak and off-peak rate), reduces conservation signals, and is contrary to the goal of encouraging customer owned technologies.

Shortening the summer period from six months to four months will also likely increase customer bills, since the rates for the summer period are higher than the winter rates and the Company collects between 62%-65% of total annual revenues in this period. Reduction of the time period to collect these revenues by 33% would likely result in an increase on customer bills.

None of the witnesses proposing a change in peak period definitions have presented any bill impact analysis that would result from their proposals. These types of bill impacts are some of the reasons why the effects of APS' last rate case were so controversial and difficult to understand. Until such an analysis is performed, the proposals should be rejected.

¹ Under current rates peak period revenues expressed as a percentage of total revenues for the summer period are 33%, 45% and 60% for the Residential TOU-E, R-2 and R-3 subclasses respectively.

Q. PLEASE DISCUSS THE ISSUE OF THE RESIDENTIAL R-XS CLASS.

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26 | 27 | APS currently has two flat energy rate Residential rate schedules, R-XS for customers with average monthly usage less than 600 kwh, and R-Basic for customers with average monthly usage between 600 kwh and 1000 kwh. Staff witness Dismukes proposes to combine these two rate schedules into a single new R-Basic rate (Dismukes at 42). This new R-Basic rate will consist of a single customer charge and a tiered volumetric energy rate, the first block tier for the first 600 kWh of use during a month (*Id*). In this manner, the new R-Basic rate will mirror the existing structure of R-XS and R-Basic in a single rate schedule (*Id*). Mr. Dismukes basis for this change is his belief that the separation of these two rate schedules can cause potential confusion for 3.23% residential customers seeking service from APS (*Id*).

The Residential XS class has 262,514 customers, is the second largest Residential rate class and represents 24% of all Residential customers (APS Schedule H-2).

Mr. Dismukes fails to recognize that while R-XS class is for customers who are

expected to use less than 600 kWh per month, they could use more energy in a

month and would still pay the same lower volumetric rate. This class is designed

for the small customers who have an average usage of 449 kWh in the summer

and 365 kWh in the winter (See APS Schedule H-5 for R-XS). However, 26% of

the bills in the summer are for usage above 600 kWh per month and 15% of the

bills in the winter are for usage above 600 kWh per month. On average, 20% of all

bills in this service class are for usage above 600 kWh per month.

The current energy rate for the R-Basic service class is approximately 6% higher than the energy rate for the R-XS class. Thus, if Mr. Dismukes proposal is adopted,

the usage for an existing R-XS customer would be billed at this higher volumetric

rate, resulting in an increase in the customer's bill. I don't believe it is wise to give a 6% increase to 20% of the bills for this service class simply because Mr. Dismukes' asserts, without evidence, that such customers *might* be confused. The

proposal should be rejected.

A.

Q. PLEASE DISCUSS THE ISSUES OF ELIMINATION OF SUPER OFF-PEAK ENERGY RATES, SEASONAL DEMAND RATES AND TIME DIFFERENTIATED ENERGY RATES FOR THE DEMAND RATE CLASSES.

Staff witness Dismukes proposes to discontinue all seasonal-differentiated demand charges, as well as all time-differentiated volumetric rates (i.e. time-of-use energy rates) on APS's demand rate plans, R-2 and R-3 (Dismukes at 39 and 43-46). He states that having a rate design that has both on-peak charges and demand charges is redundant and APS's current demand rates are already overly complex and will likely benefit from a more simplified rate structure. He also recommends rejection of APS proposed super off-peak winter volumetric rate and wants to discontinue the super off-peak winter volumetric rate within APS's TOU-E rate class (Dismukes at 39 and 45-46). His reasoning for advocating these proposals is to increase the simplicity of its three-part tariff to make it easier for customers to understand.

Mr. Dismukes presents no proposed rates with his proposals and therefore it is impossible to determine the impacts on customers bills. This inability to calculate bill impacts is especially troubling for his recommendations for the demand rate classes because if one of the seasonal demand rates is eliminated one needs to know which would be eliminated and how. One option might be to lower the summer demand rate and increase the winter demand rate. This would reduce bills in the summer, and hobble energy conservation and increase bills in the winter. It

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CONCLUSION

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

is unclear if he proposes to raise the winter demand rate up to the summer demand rate. The latter option would certainly result in large and adverse bill impacts in the winter bills because the summer demand rate for the R-3 class is 42% higher than the winter demand rate. While he states that a rate design that has both on-peak charges and demand charges is redundant he gives no indication whether he wants to eliminate the demand charge or the energy charge. Without detailed clarification of his views his proposals are unworkable and should be rejected.

Q. ARE THERE ANY OTHER RATE DESIGN ISSUES RUCO WISHES TO COMMENT ON?

AARP witness Mr. Scott Rubin makes two recommendations that are of particular interest to RUCO. RUCO wishes to make clear that it strongly supports his recommendation for APS, or a third party funded by APS, to undertake a rigorous consumer education program designed to accurately inform customers about rate options, including how to choose an appropriate rate schedule (Rubin at 37). RUCO also endorses Mr. Rubin's recommendation that APS, or a third party funded by APS, should review its customer service materials, including training, scripts, customer portal, billing algorithms, and customer-facing websites to ensure they are providing easy to understand and accurate information about different rate options (*Id*). As many parties have pointed out in this proceeding, the current Residential rate offerings are complex and confusing. Any steps that can be taken to assist customers in understanding them would benefit all involved.

EXHIBITS

Of

FRANK W. RADIGAN

On Behalf Of

RESIDENTIAL UTILITY CONSUMER OFFICE BEFORE THE ARIZONA CORPORATIOON COMMISSION DOCKET NO. E-01345A-19-0236

Dated: December 4, 2020

DOCKET NO. E-01345A-19-0236

Exhibit FWR-32 Updated RUCO Schedules A, B and C dated December 4, 2020

ARIZONA PUBLIC SERVICE COMPANY COMPUTATION OF INCREASE IN GROSS REVENUE REQUIREMENTS ACC JURISDICTION ADJUSTED TEST YEAR ENDED JUNE 30, 2019 (Thousands of Dollars)

Line			Electric									
No.	escription		Original Cost	RCND	Ş	Fair Value	_No					
1.	Rate Base	\$	8,261,698 (a)	\$ 15,136,256 (a)	\$	11,698,977	1.					
2.	Operating Income		670,580 (b)	670,580 (b)		670,580 (b)	2.					
3.	Current Rate of Return		8.12%	4.43%		5.73%	3.					
4.	Required Operating Income		546,924	546,924		546,924	4.					
5.	Required Rate of Return on OCRB		6.62% *	3.61% *		4.67%	5 .					
6.	Operating Income Deficiency on OCRB		(123,656)	(123,656)		(123,656)	6.					
7.	Gross Revenue Conversion Factor	·	1.3288 (c)	1.3288 (c)	10	1.3288 (c)	7.					
8.	Increase in Base Revenue Requirements Based on OCRB	\$	(164,314) **	\$ (164,314) **	\$	(164,314) **	8.					
9.	After Tax Return on Fair Value Increment					(774)	9.					
10.	Requested Increase in Base Revenue Requirements				\$	(165,088)	10.					
11.	Required Rate of Return with Fair Value Increment						11.					

	ustomer Classification		Present Rates 1, 2 (\$000)		Projected nue Increase o Base Rates	Base Rate % Increase	Adjustor ransfers 3 (\$000)	Total Rate Change	Bill Impact % Increase	
12.	Residential	\$	1,740,264	\$	(81,827)	-4.70%	\$ 55,268	\$ (26,559)	-1.53%	12.
13.	General Service	\$	1,476,858	\$	(80,355)	-5.44%	\$ 57,816	\$ (22,539)	-1.53%	13.
14.	Irrigation and Water Pumping	\$	32,188	\$	(1,865)	-5.79%	\$ 1,374	\$ (491)	-1.53%	14.
15.	Outdoor Lighting	\$	20,814	\$	(725)	-3.48%	\$ 407	\$ (318)	-1.53%	15.
16.	Dusk-to-Dawn	\$	9,067	\$	(315)	-3.48%	\$ 177	\$ (138)	-1.53%	16.
17.	Total	\$	3,279,191		(165,088)	-5.03%	\$ 115,042	\$ (50,046)	-1.53%	17.
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Supporting Schedules:
(a) B-1
(b) C-1, page 2 of 2
(c) C-3
(d) H-1

Recap Schedules:

^{*} The Rate of Return for OCRB, RCND and Fair Value does not reflect the need for a return on the difference between Fair Value Rate Base and Original Cost Rate Base but is simply a mathematical derivation based upon the original cost rate of return.

^{**} Does not include the fair value increment reflected on Line 9.

ARIZONA PUBLIC SERVICE COMPANY SUMMARY OF ORIGINAL COST RATE BASE ELEMENTS TOTAL COMPANY AND ACC JURISDICTION TEST YEAR ENDED JUNE 30, 2019 (Thousands of Dollars)

			Original Cost											
	Description	(F)		Total C	ompany			ACC						
Line No.		Test	Unadjusted Test Year Ended 6/30/2019 (a)		_Pro Forma (a)_		Adjusted t Year Ended 30/2019 (a)	Unadjusted Test Year Ended 6/30/2019 (a)		Pro Forma (a)		Adjusted Test Year Ended 6/30/2019 (a)	1	Line No.
			(A)		(B)		(C)	(D)			(E)	(F)		
1. 2.	Gross utility plant in service	\$	20,668,805	\$	93,784	\$	20,762,589	\$ 17,522		\$	83,445	\$ 17,605,611		1.
2.	Less: Accumulated depreciation & amortization		7,267,041	\$	537,932		7,804,973	6,323	177		526,704	6,849,881		2.
3.	Net utility plant in service		13,401,764		(444,148)	5 1	12,957,616	11,198.	989	-	(443,259)	10,755,730		3.
	Deductions:													
4.	Deferred income taxes		1,908,074		(29,598)		1,878,476	1,903			(29,521)	1,873,940		4.
<i>5</i> .	Deferred investment tax credits (b)		197,749				197,749	7	585			196,585		5.
6.	Customer advances (b)		174,411				174,411	177,555,774	,118			145,118		6. 7. 8. 9.
7.	Customer deposits		81,423				81,423		,423			81,423		7.
8.	Liabilities for pension benefits		305,207				305,207	280				280,177		8.
9.	Liability for asset retirements (b)		744,955				744,955	741				741,379		9.
10.	Other deferred credits		11,807				11,807	272	827			10,827		10.
11.	Coal mine reclamation (b)		197,443				197,443	196				196,800		11.
12.	Unrecognized tax benefits (b)		42,313				42,313		,241			35,241		12.
13.	Operating lease liabilities (b)		111,553		9070012000000		111,553		615			99,615		13.
14.	Regulatory liabilities	14	2,008,573	Sel	(90,705)	1)6	1,917,868	1,988	207		(90,705)	1,897,502		14.
15.	Total deductions	**	5,783,508	÷	(120,303)	a .	5,663,205	5,678,	833	9	(120,226)	5,558,607		15.
	Additions:													
16.	Regulatory assets		1,283,538		93,620		1,377,158	1,197			92,176	1,289,291		16.
17.	Other deferred debits		38,202				38,202	270.44	,909			32,909		17.
18.	Nuclear Decommissioning trust (b)		950,448				950,448	945				945,886		18.
19.	Other special use funds (b)		241,558				241,558	240				240,398		19.
20.	Assets for other postretirement benefits (b)		52,611				52,611		,297			48,297		20.
21.	Operating lease right-of-use assets (b)		174,320		(10.100)		174,320	155			10 000	155,663		21.
22.	Allowance for working capital (c)	50-	384,155	56	(10,486)	3-	373,669	-	755	9	(9,626)	352,129		22.
23.	Total additions		3,124,832	3 2	83,134	90	3,207,966	2,982	024		82,550	3,064,574		23.
24.	Total rate base	\$	10,743,088	\$	(240,711)	\$	10,502,377	\$ 8,502,	181	\$	(240,483)	\$ 8,261,698	(d)	24.

Supporting Schedules:

(a) B-2

(b) E-1

(c) B-5

NOTE: There may be variances in displayed values due to rounding.

Recap Schedules:

(d) A-1

Schedule B-1 Page 1 of 2

ARIZONA PUBLIC SERVICE COMPANY SUMMARY OF ORIGINAL COST RATE BASE ELEMENTS TOTAL COMPANY AND ACC JURISDICTION TEST YEAR ENDED JUNE 30, 2019 (Thousands of Dollars)

							RCND						
		8		Total	Company			R		,	ACC	期 	
Line No.	Description	Tes	Jnadjusted st Year Ended 0/2019 (a) (d)	Pro	Forma (a)	1000	Adjusted st Year Ended 5/30/209 (a)	Tes	Unadjusted st Year Ended 0/2019 (a) (d)	Pro	Forma (a)	Adjusted Test Year Ended 6/30/209 (a)	Line No.
			(A)		(B)		(C)		(D)		(E)	(F)	
1.	Gross utility plant in service	\$	39,632,048	\$	93,784	\$	39,725,832	\$	33,598,427	\$	83,445	\$ 33,681,872	1.
2.	Less: Accumulated depreciation & amortization		14,668,992	\$	537,932		15,206,924		12,763,742	\$	526,704	13,290,446	2.
3.	Net utility plant in service	3	24,963,056	-	(444,148)		24,518,908	<u> </u>	20,834,685	· · ·	(443,259)	20,391,426	3.
	Deductions:												
4.	Deferred income taxes		3,608,594	\$	(29,598)		3,578,996		3,599,871	\$	(29,521)	3,570,350	4.
5.	Deferred investment tax credits (b)		197,749				197,749		196,585			196,585	5 .
<i>6</i> .	Customer advances (b)		174,411				174,411		145,118			145,118	6.
7.	Customer deposits		81,423				81,423		81,423			81,423	7.
8. 9.	Liabilities for pension benefits		305,207				305,207		280,177			280,177	8.
9.	Liability for asset retirements (b)		744,955				744,955		741,379			741,379	9.
10.	Other deferred credits		11,807				11,807		10,827			10,827	10.
11.	Coal mine reclamation (b)		197,443				197,443		196,800			196,800	11.
12.	Unrecognized tax benefits (b)		42,313				42,313		35,241			35,241	12.
13.	Operating lease liabilities (b)		111,553				111,553		99,615			99,615	13.
14.	Regulatory liabilities	18	3,084,207	\$	(90,705)	_	2,993,502		3,052,935	\$	(90,705)	2,962,230	14.
15.	Total deductions	ş	8,559,662	95	(120,303)	VI	8,439,359	-	8,439,970	72	(120,226)	8,319,744	15.
	Additions:												
16.	Regulatory assets		1,283,538	\$	93,620		1,377,158		1,197,115	\$	92,176	1,289,291	16.
17.	Other deferred debits		38,202				38,202		32,909			32,909	17.
18.	Nuclear Decommissioning trust (b)		950,448				950,448		945,886			945,886	18.
19.	Other special use funds (b)		241,558				241,558		240,398			240,398	19.
20.	Assets for other postretirement benefits (b)		52,611				52,611		48,297			48,297	20.
21.	Operating lease right-of-use assets (b)		174,320				174,320		155,663			155,663	21.
22.	Allowance for working capital (c)		384,155	\$	(10,486)		373,669		361,755	\$	(9,626)	352,129	22.
23.	Total additions	9	3,124,832	14.5 7	83,134		3,207,966	3	2,982,024	7	82,550	3,064,574	23.
24.	Total rate base	\$	19,528,226	\$	(240,711) (0	d) \$	19,287,515 (0	d) \$	15,376,739	\$	(240,483)	(d) \$ 15,136,256 (d) (e) 24.

Supporting Schedules: (a) B-3 (b) E-1 (c) B-5 (d) B-4a

(1) (2)

76/2003		Test Ye	al at End of ar 6/30/2019	(100551) 3	Generation or Plant Additions	Nuclear Generation Post-Test Year Plant Additions				
Line No.	Description	(a) Total Co. (A)	(a) ACC (B)	Total Co. (C)	ACC (D)	Total Co. (E)	ACC (F)			
1.	Gross Utility Plant in Service	\$ 20,668,805	\$ 17,522,166	\$ 158,904	\$ 158,142	\$ 44,025	\$ 43,814			
2 .	Less: Accumulated Depreciation & Amort.	7,267,041	6,323,177	201,688	200,720	36,557	36,382			
3	Net Utility Plant in Service	13,401,764	11,198,989	(42,784)	(42,578)	7,468	7,432			
4.	Less: Total Deductions	5,783,508	5,678,833	9,637	9,591	(623)	(620)			
<i>5</i> .	Total Additions	3,124,832	2,982,024	146	¥	a 1	243			
6.	Total Rate Base	\$ 10,743,088	\$ 8,502,181	\$ (52,421)	\$ (32,762)	\$ 8,091	\$ 37,625			

PRO FORMA WITNESS:

PRO FORMA FUNCTIONALIZATION or ALLOCATION FACTOR:
[WITNESS: SNOOK]

LOCKWOOD

Jurisdictional

Assigned to Production - Demand (DEMPROD1)

LOCKWOOD

1. Jurisdictional

Assigned to Production - Demand (DEMPROD1)

- (1) Test Year Total Deductions and Total Additions are shown on Schedule B-1, page 1.
- (2) Adjustment to Test Year rate base to include post-Test Year Plant Additions for Fossil Generation with an estimated in service date prior to 6/30/2020.
- (3) Adjustment to Test Year rate base to include post-Test Year Plant Additions for Nuclear Generation with an estimated in service date prior to 6/30/2020.

Supporting Schedules
(a) B-1

(4) (5)

1999233		Distribution ar Post-Test Year		Technology Post-Test Year			Renewables Post-Test Year Plant Additions					
Line No.	Description	Total Co. (G)	6 <u>1</u>	ACC (H)		otal Co.	21	ACC (J)		otal Co. (K)	\$ <u>1</u>	ACC (L)
1.	Gross Utility Plant in Service	\$ 360,286	\$	348,268	\$	14,187	\$	14,187	\$	17,048	\$	17,048
2.	Less: Accumulated Depreciation & Amort.	287,026	9 0	276,835	65	3 <u>#</u>	-	¥	a .	33,094	-	33,094
3	Net Utility Plant in Service	73,260		71,432		14,187		14,187		(16,046)		(16,046)
4.	Less: Total Deductions	4,315		4,180		433		433		2,183		2,183
<i>5</i> .	Total Additions	¥i		8 8 8		sa.		×		635		635
<i>6</i> .	Total Rate Base	\$ 68,945	\$	172,449	\$	13,754	\$	24,669	\$	(17,594)	\$	(11,215)

PRO FORMA WITNESS:

PRO FORMA FUNCTIONALIZATION or ALLOCATION FACTOR:
[WITNESS: SNOOK]

LOCKWOOD

Jurisdictional
 Distribution functionalized on Distribution and IT/Facilities functionalized on Wages & Salaries

LOCKWOOD

1. ACC Specific

2. Functionalized on Distribution

LOCKWOOD

1. ACC Specific

2. Renewables functionalized on Demand Production (Retail DEMPROD1)

- (4) Adjustment to Test Year rate base to include post-Test Year Plant Additions for Distribution and IT/Facilities with an estimated in service date prior to 6/30/2020.
- (5) Adjustment to Test Year rate base to include post-Test Year Plant Additions for Technology Innovation with an estimated in service date prior to 6/30/2020.
- (6) Adjustment to Test Year rate base to include post-Test Year Plant Additions for Renewables with an estimated in service date prior to 6/30/2020.

Supporting Schedules
(a) B-1

Recap Schedules:

(b) B-1

(6a)

			Four Cor	ners SCI	Rs	Eliminate Capitalized Amount of Cash Incenti					
Line No.	Description	3	Total Co.	Ki	ACC		otal Co.	8 	ACC		
1.	Gross Utility Plant in Service	\$	(478,802)	\$	(476,216)	\$	(8,031)	\$	(8,031)		
2.	Less: Accumulated Depreciation & Amort.	\$	(14,001)	\$	(13,925)						
3	Net Utility Plant in Service		(464,801)		(462,290)		(8,031)		(8,031)		
4.	Less: Total Deductions		(63,893)	\$	(63,548)						
<i>5</i> .	Total Additions		36 0		5						
6.	Total Rate Base	\$	(400.908)	\$	(398,743)	\$	(8.031)	\$	(8.031)		

PRO FORMA WITNESS:

PRO FORMA FUNCTIONALIZATION or ALLOCATION FACTOR: [WITNESS: SNOOK]

Supporting Schedules (a) B-1

			(7)				(6		(9)					
(Dellering)		ve	Cloud Computing				Include West I Regulatory D		200700	Include Property Tax Deferral				
Line No.	Description	- 19 P	Total Co. (M)	2	ACC (N)	J	otal Co. (O)	93 -	ACC (P)	Total Co. (Q)		59 85	ACC (R)	
7	Gross Utility Plant in Service	\$		\$	3	\$	(13,833)	\$	(13,767)	\$	<u>u</u>	\$	8	
2.	Less: Accumulated Depreciation & Amort.	R S	8 2 3	S-	<u>14</u>	200	(6,432)	35	(6,401)	227	<u> </u>	Ç .	<u> </u>	
3	Net Utility Plant in Service		•		7.7 1.0 2.7		(7,401)		(7,365)		ă		2046.5	
4.	Less: Total Deductions		825		2		(1,502)		(1,495)		(544)		(544)	
<i>5</i> .	Total Additions		12,779		11,731		¥		ä		(2,198)		(2,198)	
6.	Total Rate Base	\$	12,779	\$	11,731	\$	(5,899)	\$	(5,871)	\$	(1,654)	\$	(1,654)	

PRO FORMA WITNESS:

PRO FORMA FUNCTIONALIZATION or ALLOCATION FACTOR: [WITNESS: SNOOK] BLANKENSHIP

1. Jurisdictional

2. Functionalized on Wages & Salaries

BLANKENSHIP

Jurisdictional
 Assigned to Production - Demand

(DEMPROD1)

BLANKENSHIP

1. ACC Specific

Distribution Property Tax functionalized on Distribution and Generation Property Tax functionalized on Demand Production (Retail DEMPROD1)

- (7) Adjustment to Test Year rate base to reflect the impacts of Cloud Computing in alignment with NARUC's Cloud Computing Resolution.
- (8) Adjustment to Test Year rate base to include the regulatory disallowance for West Phoenix CC Unit #4 as required by Decision Nos. 67744 and 69663.
- (9) Adjustment to Test Year rate base to include the deferred property tax amounts from 7/1/19 to 12/31/20 per Decision No. 76295.

Supporting Schedules
(a) B-1

Recap Schedules:

(b) B-1

(10)(11)(12)Adjust Cash Working Capital Include Ocotillo Deferral Include Four Corners SCR Deferral for Cost of Service Line ACC ACC No. Description Total Co. Total Co. Total Co. ACC (V) (W) (S) (U) (X) Gross Utility Plant in Service \$ \$ \$ 1. Less: Accumulated Depreciation & Amort. 2 Net Utility Plant in Service 3 Less: Total Deductions 20.395 10,920 10,867 20,297 5. **Total Additions** (10,486)(9,626)82,403 82,008 44,120 43,908 Total Rate Base 33,041 6. \$ (10,486)(9,626)\$ 62.009 61,711 \$ 33.200 \$

PRO FORMA WITNESS:

PRO FORMA FUNCTIONALIZATION or ALLOCATION FACTOR: [WITNESS: SNOOK] BLANKENSHIP

1. Jurisdictional

2. Functionalized on Wages & Salaries

BLANKENSHIP

Jurisdictional
 Assigned to Production - Demand

Assigned to Production - Demand (DEMPROD1) BLANKENSHIP

1. Jurisdictional

2. Assigned to Production - Demand (DEMPROD1)

(10) Adjustment to Cash Working Capital to reflect impacts of cost of service pro formas on the lead/lag study.

- (11) Adjustment to Test Year rate base to include the estimated Ocotillo Modernization Project deferral amount from 7/1/19 to 12/31/20 per Decision No. 76295.
- (12) Adjustment to Test Year rate base to include the estimated Four Corners Selective Catalytic Reduction (SCR) deferral amount from 7/1/19 to 12/31/20 per Decision No. 76295.

Supporting Schedules
(a) B-1

Recap Schedules:

(b) B-1

12(a)

Reverse Four Corners SCR Deferral

Description	Total Co.	ACC
Gross Utility Plant in Service		
Less: Accumulated Depreciation & Amort.		
Net Utility Plant in Service		
Less: Total Deductions	(10,920)	(10,867)
Total Additions	(44,120)	(43,908)
Total Rate Base	\$ (33,200)	\$ (33,041)

PRO FORMA WITNESS:

PRO FORMA FUNCTIONALIZATION or ALLOCATION FACTOR: [WITNESS: SNOOK]

Supporting Schedules
(a) B-1

(13)

			Excess De	x.	Total Original Cost Rate Base Pro Forma Adjustments					Adjusted at End of Test Year 6/30/2019			
Line No.	Description		Total Co. (Y)		ACC (Z)	89 	(b) Total Co. (AA)	ACC (BB)		15 1	(b) Total Co. (CC)	-	(b) ACC (DD)
1.	Gross Utility Plant in Service	\$	8	\$		\$	93,784	\$	83,445	\$	20,762,589	\$	17,605,611
2.	Less: Accumulated Depreciation & Amort.	=	<u> </u>		ies	j.	537,932	-	526,704	n e	7,804,973		6,849,881
3	Net Utility Plant in Service		7.00		3		(444,148)		(443,259)		12,957,616		10,755,730
4.	Less: Total Deductions		(90,705)		(90,705)		(120,303)		(120,226)		5,663,205		5,558,607
5.	Total Additions		¥		360		83,134		82,550		3,207,966		3,064,574
6.	Total Rate Base	\$	90,705	\$	90,705	\$	(240,711)	\$	(240,483)	\$	10,502,377	\$	8,261,698

PRO FORMA WITNESS:

BLANKENSHIP

PRO FORMA FUNCTIONALIZATION

or ALLOCATION FACTOR: [WITNESS: SNOOK] 1. ACC Specific

2. Assigned to Production - Demand (Retail DEMPROD1)

(13) Adjustment to rate base to reflect amortization of excess deferred taxes associated with TEAM Phase III between the

Test Year and the date proposed rates go into effect.
Assumes TEAM III amortization begins 1/1/2020 and rates go into effect 1/1/2021.

Supporting Schedules
(a) B-1

Recap Schedules:

(15)

(b) B-1

ARIZONA PUBLIC SERVICE COMPANY INCOME STATEMENT TOTAL COMPANY TEST YEAR ENDED JUNE 30, 2019 (Thousands of Dollars)

				Total C	Company			
Line <u>No.</u>	<u>Description</u>		Actual For The t Year Ended 30/2019 (a) (A)	F	Proforma ustments (b) (B)	Re Adju	Line <u>No.</u>	
	NAME AND ADDRESS A		Mayor Ko.		0.000		142.000	
4	Operating Revenues: Revenues from Base Rates	\$	3,284,386	\$	5,612	\$	3,289,998	
1. 2.	Revenues from Surcharges	Ф	128,995	Φ	(128,995)	Φ	3,209,990	1. 2.
3.	Other Electric Revenues		216,871		(6,040)		210,831	3.
<i>4.</i>	Total	571	3,630,252	851	(129,423)	8	3,500,829	3. 4.
4.	Total	-	3,630,232	2	(129,423)	¥	3,300,629	4.
	Operating expenses:							
5.	Fuel and purchased power		1,094,682		(139,546)		955,136	5.
6.	Operations and maintenance		909,326		(212,250)		697,076	6.
7.	Depreciation and amortization		584,838		145,961		730,799	7.
8.	Income taxes		123,315		11,169		134,484	8.
9.	Taxes other than income taxes		215,143		3,959		219,102	9.
10.	Total	FE	2,927,304	60 Se	(190,707)	2	2,736,597	10.
11.	Operating income	-	702,948		61,284	i i	764,232	11.
	Other income (deductions):							
12.	Income taxes		6,467		% <u></u>		6,467	12.
13.	Allowance for equity funds used during construction		43,927		ä t		43,927	13.
14.	Other income		34,998		72		34,998	14.
15.	Other expense		(22,582)		14		(22,582)	15.
16.	Total		62,810	76			62,810	16.
17.	Income before interest deductions		765,758	95	61,284	-	827,042	1 <i>7</i> .
	Interest deductions (income):							
18.	Interest charges		227,758		(),		227,758	18.
19.	Allowance for borrowed funds used during construction		(23,293)		12		(23,293)	19.
20.	Total	# #	204,465	51 14	1047	20 20	204,465	20.
21.	Net income	\$	561,293	\$	61,284	\$	622,577	21.

Supporting Schedules: Recap Schedules: (c) A-2

(a) E-2 (b) C-2

ARIZONA PUBLIC SERVICE COMPANY INCOME STATEMENT ACC JURISDICTION TEST YEAR ENDED JUNE 30, 2019 (Thousands of Dollars)

			Α	CC Ju	risdiction			
Line <u>No.</u>	Description		Actual For The Year Ended 5/30/2019	E.F. 500	Proforma ustments (a)	R	Line <u>No.</u>	
			(A)		(B)		(C)	
	Operating Revenues:							
1.	Revenues from Base Rates	\$	3,273,579	\$	5,612	\$	3,279,191	1.
2.	Revenues from Surcharges	70	128,979	25	(128,979)	10	0	2.
3.	Other Electric Revenues		148,270		(6,040)		142,230	3.
4.	Total		3,550,829		(129,407)		3,421,422	4.
	Operating expenses:							
5.	Fuel and purchased power		1,083,273		(139, 278)		943,995	5
6.	Operations and maintenance		1,052,961		(206,898)		846,063	5. 6.
7.	Depreciation and amortization		511,942		144,734		656,676	7.
8.	Income taxes		113,517		10,131		123,648	8.
9.	Taxes other than income taxes		177,260		3,199		180,459	9.
10.	Total	() F <u>E</u>	2,938,954	2	(188,112)		2,750,842	10.
11.	Operating income	NS	611,875		58,705		670,580 (I	b) 11.
	Other income (deductions):							
12.	Income taxes		×		1825			12.
13.	Allowance for equity funds used during construction		×.		885			13.
14.	Other income		₩		W204			14.
15.	Other expense		× ,		0 3			15.
16.	Total	:		_				16.
17.	Income before interest deductions		611,875	*	58,705		670,580	17.
	Interest deductions (income):							
18.	Interest charges				3.58			18.
19.	Allowance for borrowed funds used during construction		<u>=</u>		848 ₀			19.
20.	Total	-		· 3	181		51 <u>,</u>	20.
21.	Net income	\$	611,875	\$	58,705	\$	670,580	21.

Supporting Schedules:
(a) C-2

Recap Schedules:
(b) A-1

JUNE 30, 2019 (Thousands of Dollars)

(1)

Fossil Generation Post-Test Year Plant

Additions

7,880

1. Jurisdictional

(DEMPROD1)

2. Assigned to Production - Demand

(2)

1. Jurisdictional

Wages & Salaries

2. Distribution facilities functionalized on

Distribution and IT/Facilities functionalized on

(3)

	PRO FORMA WITNESS:		1250	WOOD		. Asi	WOOD				WOOD	
19.	Operating Income (line 15 minus line 18)	\$	(7,285)	\$	(6,002)	\$ (733)	\$	(148)	\$	(25,972)	\$	(13,721)
18.	Current Income Tax Rate - 24.75%		(2,261)		(1,840)	(466)		(273)		(9,664)		(5,578)
17.	Taxable Income	34	(9,136)	8	(7,434)	(1,883)	G.	(1,101)	13	(39,047)	fb.	(22,536)
16.	Interest Expense		(410)		(408)	684		681		3,411		3,237
15.	Operating Income Before Income Tax	10	(9,546)	S	(7,842)	(1,199)	6	(421)	50 50	(35,636)	65 65	(19,299)
14.	Total Other Operating Expense	T-C	9,546	32	7,842	1,199	12	421	50	35,636	fet.	19,299
13.	Other Taxes				35 35	250 250		56		8		2
11.	Amortization of Gain Administrative and General		*		35	320		56		*		8

7,842

(1) Adjustment to Test Year operations to include depreciation, interest expense, property taxes and reduced income tax expense associated with Fossil Generation Post-Test Year Plant Additions. Pro forma adjusted as shown on Schedule B-2, page 1, column 2.

2. Assigned to Production - Demand

1. Jurisdictional

(DEMPROD1)

(2) Adjustment to Test Year operations to include depreciation, interest expense, properly taxes and reduced income tax expense associated with Nuclear Generation Post-Test Year Plant Additions. Pro forma adjusted as shown on Schedule B-2, page 1, column 3.

(3) Adjustment to Test Year operations to include depreciation, interest expense, properly taxes and reduced income tax expense associated with Distribution and IT/Facilities Post-Test Year Plant Additions. Pro forma adjusted as shown on Schedule B-2, page 2, column 4.

Supporting Schedules:

Line

No.

1.

2.

3.

4.

5.

6.

7.

8.

9.

10.

Description

Electric Operating Revenues

Other Operating Expenses:

Maintenance

Subtotal

Revenues from Base Rates

Revenues from Surcharges

Total Electric Operating Revenues

Oper Rev Less Fuel & Purch Pwr Costs

PRO FORMA

SNOOK

FUNCTIONALIZATION or

ALLOCATION FACTOR: [WITNESS:

Electric Fuel and Purchased Power Costs

Operations Excluding Fuel Expense

Depreciation and Amortization

Other Electric Revenues

Recap Schedules: (a) C-1

(a) C

TEST YEAR ENDED JUNE 30, 2019

(4)

consumption.

(Thousands of Dollars)

(6)

(5)

Technology Innovation Post-Test Year Plant Renewables Post-Test Year Plant Additions Base Fuel and Purchased Power Additions Line Total Co. ACC Total Co. Total Co. No. Description (G) Electric Operating Revenues 1. Revenues from Base Rates 2. Revenues from Surcharges Other Electric Revenues 3. 4. Total Electric Operating Revenues 5. Electric Fuel and Purchased Power Costs (51,260)(51,260)Oper Rev Less Fuel & Purch Pwr Costs 51,260 6. 51,260 Other Operating Expenses: 7. Operations Excluding Fuel Expense Maintenance 8. 9. Subtotal 10. Depreciation and Amortization 1,419 1,419 648 648 Amortization of Gain 11. 12. Administrative and General 13. Other Taxes 14. Total Other Operating Expense 3,025 1,419 1,023 648 15. Operating Income Before Income Tax (3,025)(1,023)51,260 (1,419)(648)51,260 16. Interest Expense 473 473 (162)(162)17. Taxable Income (3,498)(1,892)(860) (485)51,260 51,260 18. 24.75% (866)(468)(120)12,687 Current Income Tax Rate -(213)12,687 19. Operating Income (line 15 minus line 18) (2.159)(951) (810) (528)38.573 38.573 PRO FORMA WITNESS: LOCKWOOD LOCKWOOD SNOOK 1. ACC Specific 1. ACC Specific 1. ACC Specific **PRO FORMA** 2. Functionalize as Distribution. 2. Renewables functionalized on Demand 2. Assigned to Production - Energy (Retail **FUNCTIONALIZATION or** Production [Retail DEMPROD1] Only ENERGY2) ALLOCATION FACTOR: [WITNESS: SNOOKI (4) Adjustment to Test Year operations to include depreciation, interest expense, property taxes and reduced income tax expense associated with Technology Innovation Post-Test Year Plant Additions. Pro forma adjusted as shown on Schedule B-2, page 2, column 5. (5) Adjustment to Test Year operations to include depreciation, interest expense, property taxes and reduced income tax expense associated with Renewables Post-Test Year Plant Additions. Pro forma adjusted as shown on Schedule B-2, page 2, column 6. (6) Adjustment to Test Year operations to include 2018 base fuel and purchased power ¢/kWh costs at adjusted Test Year

Recap Schedules: (a) C-1

Supporting Schedules:

TEST YEAR ENDED JUNE 30, 2019

(Thousands of Dollars) (7)

(8) (9)

			Test Year PSA Rev Amo	enue and ortization			Year Retail Defer Ion-Cash Mark-ti			Te	st Year Deferred	I Chemica	al Expense
Line No.	Description	-85	Total Co.	_	ACC (N)	. 1	Total Co.	8	ACC (P)		otal Co.	6	ACC
	Electric Operating Revenues		(M)		(N)		(O)		(P)		(Q)		(R)
i.	Revenues from Base Rates		\$ -	\$		\$		\$		\$		\$	
2.	Revenues from Surcharges		(89,285)	Φ.	(89,040)	Φ	50	Ф.	f6	Φ	50	Φ	55
			(89,285)		(89,040)		56		₹6		58		85
3.	Other Electric Revenues			_	100 0 101			_		55		-	- 55
4.	Total Electric Operating Revenues		(89,285)		(89,040)		56		55		56		≅
5.	Electric Fuel and Purchased Power Costs		(90,598)		(90,349)		40,435		40,435		43		
6.	Oper Rev Less Fuel & Purch Pwr Costs		1,313		1,309	12	(40,435)		(40,435)	23	±8 ±8	8	58
	Other Operating Expenses:												
7.	Operating Expenses. Operations Excluding Fuel Expense		1,313		1,309								
	Maintenance		100		1,309		56		fici		0.104		0.404
8.	Subtotal		1,313	_	1,309	-		-		12	3,194	105	3,194
9.	Subtotal		1,313		1,309		Tô.		f6		3,194		3,194
10.	Depreciation and Amortization				190		55		*:		*8		- 18
11.	Amortization of Gain		28		190		53				88		57
12.	Administrative and General				180		•		**		*:		
13.	Other Taxes		24		196				**		*3		
14.	Total Other Operating Expense		1,313		1,309	9	56	2	75 E	15	3,194	13	3,194
15.	Operating Income Before Income Tax			=	84	9	(40,435)	=	(40,435)	18	(3,194)	3:	(3,194)
16.	Interest Expense				7-1				_				-
17.	Taxable Income				200 TO 100 TO 10	55	(40,435)	-	(40,435)		(3,194)	8	(3,194)
	Tarable House						(50,500)		(10,100)		(0,101)		(0,103)
18.	Current Income Tax Rate - 24.75%		85		職権		(10,008)		(10,008)		(791)		(791)
19.	Operating Income (line 15 minus line 18)		\$ -	\$	354 5	\$	(30,427)	\$	(30,427)	\$	(2,403)	\$	(2,403)
	PRO FORMA WITNESS:			NOOK				ООК				ООК	
	PRO FORM		Jurisdictional				C Specific	490 - 12280 C	2600070853		Specific	200 SECTION .	T MERCHIONES OF
	PRO FORMA		2. Revenues and Ex	penses a	ire class		signed to Product		rgy (Retail		gned to Producti	on - Ener	gy (Retail Only
	FUNCTIONALIZATION or ALLOCATION FACTOR: [WITNESS: SNOOK]		specific.			Only E	ENERGY2_XAG	1)		ENER	GY2_XAG1)		
		(7)	Adjustment to Test Y PSA revenue and an					l power e	xpense to remov	e retail			
		(8)	Adjustment to Test Y accruals.	'ear retai	I fuel and purchase	d power	costs to remove	retail PS	A deferred fuel ar	nd mark-to-	-market		
		(9)	Adjustment to Test Y	ear oper	ation and maintena	ance cost	s to remove reta	il PSA de	ferred chemical e	expenses.			

Supporting Schedules: N/A

JUNE 30, 2019 (Thousands of Dollars)

(10)

(11)

(12)

		Normalize We	ather Conditions		Annualize Customer Levels				Schedule 1 Fees			
Line No.	Description	Total Co. (S)	ACC	-	To	tal Co.		ACC (V)	T	otal Co.	515	ACC (X)
	Electric Operating Revenues	(3)	(1)			(0)		(4)		(44)		(1)
i.	Revenues from Base Rates	\$ (6,049)	\$	(6,049)	\$	12,911	\$	12,911	\$	*	S	96
2.	Revenues from Surcharges	,	0.00	-		55	0.000000		040.77	*	0.50.0	146
2. 3.	Other Electric Revenues	500 SM		-		*6		-		(6,040)		(6,040
4.	Total Electric Operating Revenues	(6,049)	En	(6,049)	\$	12,911		12,911	\$	(6,040)	STR	(6,040
5.	Electric Fuel and Purchased Power Costs	(1,812)		(1,812)		3,854		3,854		*		
6.	Oper Rev Less Fuel & Purch Pwr Costs	(4,237)		(4,237)	8	9,057	1.0	9,057	S	(6,040)	STR	(6,040
	Other Operating Expenses:											
7.	Operations Excluding Fuel Expense	95		2		5 6				8 3		3.5
8.	Maintenance			2		<u> 55</u>		*		81		
7. 8. 9.	Subtotal	**************************************	ian	*	2	#6	10		8	2	35	**
10.	Depreciation and Amortization	₩.		2		₹6		8		*2		
11.	Amortization of Gain	95		2		#S		*		#3		(4)
12.	Administrative and General	95		e-		5 6				88		(4)
13.	Other Taxes			2				*		20		55
14.	Total Other Operating Expense	**		3		f6		*		2		**
15.	Operating Income Before Income Tax	(4,237)	er G	(4,237)	2	9,057	5	9,057	S	(6,040)	35 85	(6,040
16.	Interest Expense					25		-		<u> </u>		
17.	Taxable Income	(4,237)		(4,237)		9,057		9,057		(6,040)		(6,040
18.	Current Income Tax Rate - 24.75%	(1,049)		(1,049)		2,242		2,242		(1,495)		(1,495
19.	Operating Income (line 15 minus line 18)	\$ (3,188)	\$	(3,188)	\$	6,815	\$	6,815	\$	(4,545)	\$	(4,545
	PRO FORMA WITNESS:	SN	IOOK			SNO	ООК			HOE	BICK	
		1. ACC Specific			1. ACC	Specific			1. ACC	Specific		
	PRO FORMA FUNCTIONALIZATION or ALLOCATION FACTOR: [WITNESS: SNOOK]	Revenues and Exp specific.	enses are class		2. Reve specific.	nues and Expe	enses are o	alass		tionalized on C NUM_A)	ustomer A	ccounts

(10) Adjustment to Test Year operating revenues to reflect normal weather conditions for the ten years ended 6/30/2019.

(11) Adjustment to Test Year operating revenues to reflect the annualization of customer levels at 6/30/2019.

(12) Adjustment to Test Year operations to account for additional adjustments related to disconnect policy. Additional adjustments to Revenues reflecting policies changes to multiple fees collected.

Supporting Schedules:

JUNE 30, 2019 (Thousands of Dollars)

(14)

(15)

		Uncollectible	le Bad Debt	Cris	is Bill	Customer Affordability		
Line No.	Description	Total Co.	ACC (Z)	Total Co.	ACC (AB)	Total Co.	ACC (AD)	
	Electric Operating Revenues	V-7-	(2)	(14.4)	(110)	(1.0)	(1.67	
1. 2. 3.	Revenues from Base Rates	\$ -	s -	\$ (1,250)	\$ (1,250)	\$	\$ -	
2.	Revenues from Surcharges		3.5	21	20	0.55	***	
3.	Other Electric Revenues		35	3.5	25	050	*1	
4.	Total Electric Operating Revenues	*	3 3	(1,250)	(1,250)	(E)	(22 7 ₀ 1)	
5.	Electric Fuel and Purchased Power Costs	*	35	35		363	58	
6.	Oper Rev Less Fuel & Purch Pwr Costs	* *	35	(1,250)	(1,250)	SEE	122 83	
	Other Operating Expenses:							
7. 8.	Operations Excluding Fuel Expense	6,427	6,427	35	18	(17,782)	(17,782	
8.	Maintenance	1#1				200		
9.	Subtotal	6,427	6,427	35	35 AS	(17,782)	(17,782	
10.	Depreciation and Amortization	*	35	35	28	35	**	
11.	Amortization of Gain	*	35	35	18	0.63	51	
12.	Administrative and General	*	35	35	18	353	50	
13.	Other Taxes	:		3.5			- 51	
14.	Total Other Operating Expense	6,427	6,427	35	i#	(17,782)	(17,782	
15.	Operating Income Before Income Tax	(6,427)	(6,427)	(1,250)	(1,250)	17,782	17,782	
16.	Interest Expense					393	- 1	
17.	Taxable Income	(6,427)	(6,427)	(1,250)	(1,250)	17,782	17,782	
18.	Current Income Tax Rate - 24.75%	(1,591)	(1,591)	(309)	(309)	4,401	4,401	
19.	Operating Income (line 15 minus line 18)	\$ (4,836)	\$ (4,836)	\$ (941)	\$ (941)	\$ 13,381	\$ 13,381	
	PRO FORMA WITNESS:	НОВ	BICK	HOE	BICK	LOCK	WOOD	
	PRO FORMA	1. ACC Specific	12 - 12 0 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	1. ACC Specific	5	1. ACC Specific		
	FUNCTIONALIZATION or ALLOCATION FACTOR: [WITNESS: SNOOK]	 Functionalized on Ci (CUSTNUM_A) 	ustomer Accounts	Assigned to System ERGSYSBEN)	Benetits (Hetaii	Functionalized on W Transmission	vages & Salaries less	

(13) Adjustment to Test Year operations to account for expected increases in write-offs due to disconnect policy.

(14) Adjustment to Test Year operating revenues to reflect the increase need in crisis billing assistance.

(15) Adjustment to include forecasted impacts to 2020 O&M as a result of the Customer Affordability program.

Supporting Schedules:

JUNE 30, 2019 (Thousands of Dollars) (16)

(17)

(18)

		Acti	ve Union Med	dical Trust	(VEBA)	Fire Mitigation				Remove Test Year Regulatory Assessment			
Line No.	Description		al Co.		ACC	To	otal Co.		ACC	To	otal Co.	ACC	
	24 TO MARKET MARKET AND THE STATE OF THE STA	()	AE)		(AF)		(AG)		(AH)		(AI)		(AJ)
42	Electric Operating Revenues	2		22		170227		0.28		1120		20	
1. 2.	Revenues from Base Rates	\$		\$	335	\$	35	\$	68	\$		\$	we Elwa
2.	Revenues from Surcharges		3.5		25		35		65		(6,769)		(6,769)
3.	Other Electric Revenues	-	285	-	NS.	50	35 ···	13	8		100		285
4.	Total Electric Operating Revenues		280		N#1		35		8		(6,769)		(6,769)
5. 6.	Electric Fuel and Purchased Power Costs		285		351_		35		8		120		250
6.	Oper Rev Less Fuel & Purch Pwr Costs		20		No.		35		8		(6,769)		(6,769)
	Other Operating Expenses:												
7.	Operations Excluding Fuel Expense		(3,643)		(3,344)		3,298		3,298		(6,769)		(6,769)
7. 8.	Maintenance		200		N 35 N		35		88		228		280
9.	Subtotal	Tel.	(3,643)	83	(3,344)	ė.	3,298	82	3,298		(6,769)	r.e.	(6,769)
10.	Depreciation and Amortization		228		36		35		25		200		200
11.	Amortization of Gain		220		355		35		68		528		220
12.	Administrative and General				335		35		88		323		280
13.	Other Taxes		220		305		35		88		523		280
14.	Total Other Operating Expense	te.	(3,643)	8	(3,344)	4	3,298	8	3,298		(6,769)	r.e.	(6,769)
15.	Operating Income Before Income Tax	7d	3,643	83 83	3,344	E E	(3,298)	9 .	(3,298)		120	ra Eb	250
16.	Interest Expense		898		(5)		- 35		8		850		295
17.	Taxable Income	\$0	3,643	80	3,344		(3,298)	3	(3,298)		25)	1.5	828
18.	Current Income Tax Rate - 24.75%		902		828		(816)		(816)		250		125
19.	Operating Income (line 15 minus line 18)	\$	2,741	\$	2,516	\$	(2,482)	\$	(2,482)	\$	120	\$	28
	PRO FORMA WITNESS:	4 000000		ENSHIP			BLANK	ENSHIP			BLANKI	ENSHIP	
	PRO FORMA FUNCTIONALIZATION or ALLOCATION FACTOR: [WITNESS: SNOOK]	1. Jurisdi 2. Function	ctional onalized on V	Vages & Sa	alaries		Specific ctionalized on D	istribution.		2. Reve	Specific nues are class tionalized on D		

(16) Adjustment to Test Year operations to include interest income and realized gain on investments in active union medical trust.

(17) Adjustment to represent the forecasted impacts to 2020 O&M as a result of increases to the distribution Fire Mitigation program.

(18) Adjustment to Test Year operations to remove the Regulatory Assessment surcharges from operating revenues and expenses.

Supporting Schedules:

JUNE 30, 2019 (Thousands of Dollars)

(19)

(20)

(21)

		Remove Test Year Adjusto		Remove Test Yea Recovery Mech		Remove and Transfer Test Year Environmental Improvement Surcharge (EIS)		
Line No.	Description	Total Co.	ACC (AL)	Total Co.	ACC (AN)	Total Co. (AO)	ACC (AP)	
	Electric Operating Revenues	(AN)	(AL)	(AIVI)	(AIN)	(AO)	(AP)	
1.	Revenues from Base Rates	\$	\$	\$	\$	\$ -	\$	
2	Revenues from Surcharges	(33,311)	(33,369)	(39.792)	(39,792)	(3,898)	(3,888)	
2.	Other Electric Revenues	100,017	(00,000)	(50),500	(00,700)	(0,000)	(0,000)	
4.	Total Electric Operating Revenues	(33,311)	(33,369)	(39,792)	(39,792)	(3,898)	(3,888)	
5.	Electric Fuel and Purchased Power Costs	:=0	2063				10€4	
6.	Oper Rev Less Fuel & Purch Pwr Costs	(33,311)	(33,369)	(39,792)	(39,792)	(3,898)	(3,888)	
	Other Operating Expenses:							
7.	Operations Excluding Fuel Expense	(33,311)	(33,369)	(39,792)	(39,792)	88	(6)	
8.	Maintenance	50 384 2	277	20 10 10 10 10 10 10 10 10 10 10 10 10 10	70. St	88	(.65)	
9.	Subtotal	(33,311)	(33,369)	(39,792)	(39,792)	E) (S	
10.	Depreciation and Amortization	150A	35	3	a s	87	(/ * :	
11.	Amortization of Gain	Etal (355		57	88	(6)	
12.	Administrative and General	150A	155	*	57	88	(6)	
13.	Other Taxes	120	195			88	(6)	
14.	Total Other Operating Expense	(33,311)	(33,369)	(39,792)	(39,792)	58 E	, K	
15.	Operating Income Before Income Tax	180 E	55 S	3	(a) (b) (c) (c) (c) (c) (c) (c) (c) (c) (c) (c	(3,898)	(3,888)	
16.	Interest Expense	55 p	395		25	25	14.50 M	
17.	Taxable Income	E52	(# 1883 D	H 5.	£ 2	(3,898)	(3,888)	
18.	Current Income Tax Rate - 24.75%	2012	1993	15	æ	(965)	(962)	
19.	Operating Income (line 15 minus line 18)	\$ -4	\$ -	\$ -	\$ -	\$ (2,933)	\$ (2,926)	
	PRO FORMA WITNESS:	BLANKI 1. Jurisdictional	ENSHIP	BLANKI	ENSHIP	BLANK 1. Jurisdictional	ENSHIP	
	PRO FORMA FUNCTIONALIZATION or ALLOCATION FACTOR: [WITNESS: SNOOK]	Revenues are class	specific	Revenues are class.	specific	Revenues are class	specific	

- (19) Adjustment to Test Year operations to remove the Transmission Cost Adjustor from operating revenues and expenses.
- (20) Adjustment to Test Year operations to remove the LFCR mechanism from operating revenues.
- (21) Adjustment to Test Year operations to remove the EIS from operating revenues.

Supporting Schedules:

ARIZONA PUBLIC SERVICE COMPANY INCOME STATEMENT PRO FORMA ADJUSTMENTS

TEST YEAR ENDED JUNE 30, 2019 (Thousands of Dollars)

(23)

(24)

		Remove Test Ye Management Adjustm Revenue &	ent Clause (DSMAC)	Renewable Energy	nd Transfer a Portion of y Adjustment Clause lue and Expense	Remove and Transfer Test Year Tax Expense Adjustor Mechanism (TEAM) Revenue			
Line No.	Description	Total Co.	ACC	Total Co.	ACC	Total Co.	ACC		
	Electric Operating Revenues	(AQ)	(AR)	(AS)	(AT)	(AU)	(AV)		
1.	Revenues from Base Rates	\$	\$	\$ -	\$ -	\$	\$ -		
2.	Revenues from Surcharges	(26,717)	(26,689)	(72,697)	(72,670)	143,475	143,238		
2. 3.	Other Electric Revenues	A	ya-sa-ay	,	2	1000	*:		
4.	Total Electric Operating Revenues	(26,717)	(26,689)	(72,697)	(72,670)	143,475	143,238		
5.	Electric Fuel and Purchased Power Costs	· · · · · ·	2-01	(38,930)	(38.916)	Start.	-:		
6.	Oper Rev Less Fuel & Purch Pwr Costs	(26,717)	(26,689)	(33,767)	(33,754)	143,475	143,238		
	Other Operating Expenses:								
7.	Operations Excluding Fuel Expense	(26,717)	(26,689)	(33.445)	(33,433)	0.55	56		
7. B.	Maintenance	85	22	77 * 77	-	063	88		
9.	Subtotal	(26,717)	(26,689)	(33,445)	(33,433)	5	1 E		
0.	Depreciation and Amortization	5 7	120	*	2	35	86		
1.	Amortization of Gain	57		*	85	0.50	88		
2.	Administrative and General	87	(2)	*	88	353	88		
3.	Other Taxes			7		053	83		
4.	Total Other Operating Expense	(26,717)	(26,689)	(33,445)	(33,433)	9 (5)	14a - 5 3		
5.	Operating Income Before Income Tax	S	0	(322)	(321)	143,475	143,238		
6.	Interest Expense	£		36		323	=======================================		
7.	Taxable Income	St 25	0	(322)	(321)	143,475	143,238		
8.	Current Income Tax Rate - 24.75%	E	154	(80)	(80)	35,510	35,451		
9.	Operating Income (line 15 minus line 18)	\$ -	\$ 0	\$ (242)	\$ (241)	\$ 107,965	\$ 107,787		
	PRO FORMA WITNESS:	BLANKE	ENSHIP	BLANK 1. Jurisdictional	(ENSHIP	BLANK 1. Jurisdictional	ENSHIP		
	PRO FORMA FUNCTIONALIZATION or ALLOCATION FACTOR: [WITNESS: SNOOK]	Revenues and Experispecific.	nses are class	Revenues and Expression	enses are class	Revenues and Expense specific.	enses are class		
		(22) Adjustment to Test Yea	r operations to remove th	ne DSMAC from operating	revenues and expenses.				
		(23) Adjustment to Test Yea	er operations to remove th	se REAC from operating r	evenues and transfer a no	rtion of the evnences rela	hai		

- (23) Adjustment to Test Year operations to remove the REAC from operating revenues and transfer a portion of the expenses related to APS Solar Communities (formerly known as AZ Sun II) to base rates.
- (24) Adjustment to Test Year operations to remove and transfer the TEAM adjustor from operating revenues.

Supporting Schedules:

JUNE 30, 2019 (Thousands of Dollars)

(26)

(25a)

(25)

		Four Corners SCR De	eferral Amortization		rners SCR Deferral tization	Ocotillo Moderr Deferral Ar		Four Corners
Line No.	Description	Total Co.	ACC (AX)	Total Co.	ACC (AX)	Total Co.	ACC (AZ)	Total Co.
	Electric Operating Revenues	(844)	(AA)	(AW)	(00)	(0.1)	(AZ)	(BA)
٩.	Revenues from Base Rates	\$	\$ -	\$	\$ -	\$	\$ -	\$
1. 2. 3.	Revenues from Surcharges	*					*	105
3.	Other Electric Revenues	*		(OE)	**	53		
4.	Total Electric Operating Revenues	A T	18	\$ 1,65	# # # # # # # # # # # # # # # # # # #	#5 #5	* **	
5.	Electric Fuel and Purchased Power Costs	*	18	(85)	#6	#i	*	1.63
5. 6.	Oper Rev Less Fuel & Purch Pwr Costs	A	N 100	5: ()55	S 8	# # # # # # # # # # # # # # # # # # #	W 25 N	(15)
	Other Operating Expenses:							
7. 8.	Operations Excluding Fuel Expense	*	88	1/5	76	5 5	*	1951
	Maintenance			185		±3	*	1955
9.	Subtotal		100	5 (6)	S 8	(15 <u>14</u>)	35 25	S (S)
10.	Depreciation and Amortization	8,259	8,220	(8,259)	(8,220)	9,245	9,201	1,045
11.	Amortization of Gain	**	8	12 Net 11	± 50 ° ° ° ° ° ° ° ° ° ° ° ° ° ° ° ° ° °	58	*	105
12.	Administrative and General	*	88	1953	76	₹6	*	1951
13.	Other Taxes	-						105
14.	Total Other Operating Expense	8,259	8,220	(8,259)	(8,220)	9,245	9,201	1,045
15.	Operating Income Before Income Tax	(8,259)	(8,220)	8,259	8,220	(9,245)	(9,201)	(1,045)
16.	Interest Expense	38		(J-1)	**	=1	8	(e)
17.	Taxable Income	(8,259)	(8,220)	8,259	8,220	(9,245)	(9,201)	(1,045)
18.	Current Income Tax Rate - 24.75%	(2,044)	(2,034)	2,044	2,034	(2,288)	(2,277)	(259)
19.	Operating Income (line 15 minus line 18)	\$ (6,215)	\$ (6,186)	\$ 6,215	\$ 6,186	\$ (6,957)	\$ (6,924)	\$ (786)
	PRO FORMA WITNESS:	BLANKE	NSHIP			BLANKE	ENSHIP	BLANKEN
		 Jurisdictional 				1. Jurisdictional		Jurisdictional
	PRO FORMA FUNCTIONALIZATION or ALLOCATION FACTOR: [WITNESS: SNOOK]	Assigned to Productio (DEMPROD1)	n - Demand			2. Assigned to Producti (DEMPROD1)	on - Demand	Assigned to Production (DEMPROD1)

(25) Adjustment to Test Year operations to include the amortization of the Four Corners SCR deferral.

(26) Adjustment to Test Year operations to include the amortization of the Ocotillo Modernization Project deferral.

(27) Adjustment to Test Year operations to reflect Four Corners inventory cost recovery.

Supporting Schedules: N/A (27)

Inventory

ne		
0.	Description	ACC
	FILM COMMENT	(BB)
la .	Electric Operating Revenues Revenues from Base Rates	\$ -
	Revenues from Surcharges	Φ .
2. 3. 1 .	Other Electric Revenues	20
i	Total Electric Operating Revenues	· -
i.	Total Electric Operating Nevertues	
).	Electric Fuel and Purchased Power Costs	
	Oper Rev Less Fuel & Purch Pwr Costs	W 25
	Other Operating Expenses:	
	Operations Excluding Fuel Expense	*
į.	Maintenance	
	Subtotal	35 X
Ò.	Depreciation and Amortization	1,040
1.	Amortization of Gain	*
2.	Administrative and General	
3.	Other Taxes	*
	Total Other Operating Expense	1,040
5.	Operating Income Before Income Tax	(1,040)
6.	Interest Expense	
7.	Taxable Income	(1,040)
8.	Current Income Tax Rate - 24.75%	(257)
9.	Operating Income (line 15 minus line 18)	\$ (783)
	PRO FORMA WITNESS:	ISHIP
	PRO FORMA	240 C C C C C C C C C C C C C C C C C C C
	FUNCTIONALIZATION or	1 - Demand
	ALLOCATION FACTOR: [WITNESS:	
	SNOOK]	
	SNOOK	

Supporting Schedules:

JUNE 30, 2019

(29a)

(Thousands of Dollars) (29)

West Phoenix Unit 4 Regulatory Disallowance Regulatory Asset Amortization Cholla Inventory Remove Navajo Por Line Total Co Total Co. Total Co. ACC Total Co. No. Description (BC) (BD) (BE) (BE) Electric Operating Revenues \$ Revenues from Base Rates 2. Revenues from Surcharges 3. Other Electric Revenues 4. Total Electric Operating Revenues 5. Electric Fuel and Purchased Power Costs 6. Oper Rev Less Fuel & Purch Pwr Costs Other Operating Expenses: 7. Operations Excluding Fuel Expense (10.567)8. Maintenance (6,446)9. Subtotal (17,014)10. 1,523 80,000 Depreciation and Amortization 1,516 (329)(327)80,000 Amortization of Gain 11. 12. Administrative and General 541 13. Other Taxes 14. Total Other Operating Expense 1,523 1,516 (329)(327)80,000 80,000 (16,473)15. Operating Income Before Income Tax (1,523)329 327 16,473 (1,516)(80,000)(80,000)16. Interest Expense (110)(109)(1,516) 17. Taxable Income (1,523)439 437 (80,000) (80,000)16,473 24.75% (375)109 108 18. Current Income Tax Rate -(377)(19,800)(19,800)4,077 19. Operating Income (line 15 minus line 18) (1.146)(1.141)220 219 (60,200)(60.200)12,396 PRO FORMA WITNESS: BLANKENSHIP BLANKENSHIP BLANKEN 1. Jurisdictional 1. Jurisdictional 1. Jurisdictional PRO FORMA 2. Assigned to Production - Demand 2. Assigned to Production - Demand 2. Assigned to Production **FUNCTIONALIZATION or** (DEMPROD1) (DEMPROD1) (ENERGY1) ALLOCATION FACTOR: [WITNESS: SNOOKI (28) Adjustment to Test Year operations to reflect Cholla inventory cost recovery. (29) Adjustment to Test Year operations to reflect amortization of regulatory disallowance of West Phoenix Unit 4 over the remaining life of the plant as required by previous ACC Decision Nos. 67744 and 69663. Pro forma adjusted as shown on Schedule B-2, page 3, column 8.

(30) Adjustment to Test Year operations to remove Navajo O&M and A&G costs as a result of the closure of Navajo Power Plant.

Supporting Schedules:

N/A

(30)

ver Plant Costs

Line No.	Description	Δ	ACC.
1401	Bosonpton		BF)
	Electric Operating Revenues		
i.	Revenues from Base Rates	\$	*
2.	Revenues from Surcharges		
3.	Other Electric Revenues		
4.	Total Electric Operating Revenues	177	\$
5.	Electric Fuel and Purchased Power Costs		*
6.	Oper Rev Less Fuel & Purch Pwr Costs	1/7	*
	Other Operating Expenses:		
7.	Operations Excluding Fuel Expense		(10,522)
8.	Maintenance		(6,418)
9.	Subtotal	35	(16,940)
10.	Depreciation and Amortization		
11.	Amortization of Gain		
12.	Administrative and General		539
13.	Other Taxes		*
14.	Total Other Operating Expense	35	(16,401)
15.	Operating Income Before Income Tax	50	16,401
16.	Interest Expense		8
17.	Taxable Income	\$ 5	16,401
18.	Current Income Tax Rate - 24.75%		4,059
19.	Operating Income (line 15 minus line 18)	\$	12,342
	PRO FORMA WITNESS:	ISHIP	
	PRO FORMA FUNCTIONALIZATION or ALLOCATION FACTOR: [WITNESS: SNOOK]	ા - Energy	

Supporting Schedules:

JUNE 30, 2019 (Thousands of Dollars)

(32)

(33)

		Ocotillo O&M	Normalization		pense on Customer osits	Adjust Depreciation Expense - 2019 Depreciation Rate Study		
Line No.	Description	Total Co.	ACC	Total Co.	ACC	Total Co. (BK)	ACC	
	Electric Operating Revenues	(BG)	(BH)	(BI)	(BJ)	(BK)	(BL)	
ã.	Revenues from Base Rates	s -	\$ -	\$ -	\$ -	s -	\$ -	
2.	Revenues from Surcharges			*	*	*0	***	
2.	Other Electric Revenues				*	*9	*	
4.	Total Electric Operating Revenues	5 2 	N N	· ·	8 8		***	
5.	Electric Fuel and Purchased Power Costs	*		8		*	*	
6.	Oper Rev Less Fuel & Purch Pwr Costs	52F	2 N	7 a	3 3	5 2	4 30	
	Other Operating Expenses:							
7.	Operations Excluding Fuel Expense	5,643	5,618	2,117	2,117	8	*	
8.	Maintenance	1,104	1,099		**			
9.	Subtotal	6,747	6,717	2,117	2,117	8	**	
10.	Depreciation and Amortization	*	8	8	*	34,137	34,137	
11.	Amortization of Gain	H. Simon	₩	*	*	*9	35	
12.	Administrative and General	(16)	(16)	*		2	₩	
13.	Other Taxes	9 11						
14.	Total Other Operating Expense	6,730	6,701	2,117	2,117	34,137	34,137	
15.	Operating Income Before Income Tax	(6,730)	(6,701)	(2,117)	(2,117)	(34,137)	(34,137)	
16.	Interest Expense		= =	<u>×</u>				
17.	Taxable Income	(6,730)	(6,701)	(2,117)	(2,117)	(34,137)	(34,137)	
18.	Current Income Tax Rate - 24.75%	(1,666)	(1,659)	(524)	(524)	(8,449)	(8,449)	
19.	Operating Income (line 15 minus line 18)	\$ (5,064)	\$ (5,042)	\$ (1,593)	\$ (1,593)	\$ (25,688)	\$ (25,688)	
	PRO FORMA WITNESS:	BLANK	ENSHIP		ENSHIP		ENSHIP	
	PRO FORMA FUNCTIONALIZATION or ALLOCATION FACTOR: [WITNESS: SNOOK]	Jurisdictional Assigned to Producti (ENERGY1)	on - Energy	ACC Specific Assigned to Custome (CUSTDEP)	er Accounts	Jurisdictional Assigned to PT&D, functionalized on Wag	General and Intangible es & Salaries	

- (31) Adjust Test Year to reflect the continuing operations of the Ocotillo Power Plant with the retirment of the 2 steam units and the addition of the new units.
- (32) Adjustment to Test Year Operations to reflect the operating income impact of interest on customer deposits using January 2019 interest rates.
- (33) Adjustment to Test Year operations to reflect depreciation expense based on the 2019 Depreciation Rate Study.

Supporting Schedules:

JUNE 30, 2019 (Thousands of Dollars)

(35)

(36)

		Annualize Pa	yroll Expense	Normalize Emp	ployee Benefits	Remove Supplemental Excess Benefit Retirement Plan Expense (SERP)		
Line No.	Description	Total Co.	ACC	Total Co.	ACC	Total Co.	ACC	
	Electric Operating Revenues	(BM)	(BN)	(BO)	(BP)	(BQ)	(BR)	
1	Revenues from Base Rates	\$ -	\$	\$ -	S -	\$ -	\$ -	
2.	Revenues from Surcharges			55		× ×		
2.	Other Electric Revenues		*	55	**	8		
4.	Total Electric Operating Revenues	7	(d)	# 55 55	1 0 ± 54	3 3	S	
5.	Electric Fuel and Purchased Power Costs	*	*	55		8		
5. 6.	Oper Rev Less Fuel & Purch Pwr Costs	· · · · · · · · · · · · · · · · · · ·	9 ±	# H	10 M	il 3	£	
	Other Operating Expenses:							
7.	Operations Excluding Fuel Expense	(410)	(376)	11,251	10,328	(8,429)	(7,738)	
8.	Maintenance	(84)	(77)	- 51				
9.	Subtotal	(494)	(453)	11,251	10,328	(8,429)	(7,738)	
10.	Depreciation and Amortization	*	98	55	**	8	×	
11.	Amortization of Gain		37	51	2	*	35	
12.	Administrative and General	*	**	51	**	8	5	
13.	Other Taxes			- 51	(4)			
14.	Total Other Operating Expense	(494)	(453)	11,251	10,328	(8,429)	(7,738)	
15.	Operating Income Before Income Tax	494	453	(11,251)	(10,328)	8,429	7,738	
16.	Interest Expense							
17.	Taxable Income	494	453	(11,251)	(10,328)	8,429	7,738	
18.	Current Income Tax Rate - 24.75%	122	112	(2,785)	(2,556)	2,086	1,915	
19.	Operating Income (line 15 minus line 18)	\$ 372	\$ 341	\$ (8,466)	\$ (7,772)	\$ 6,343	\$ 5,823	
	PRO FORMA WITNESS:	BLANK	ENSHIP	BLANK	ENSHIP	BLANK	ENSHIP	
		 Jurisdictional 		1. Jurisdictional		 Jurisdictional 		
	PRO FORMA FUNCTIONALIZATION or ALLOCATION FACTOR: [WITNESS: SNOOK]	2. Functionalized on W	ages & Salaries	2. Functionalized on W	ages & Salaries	2. Functionalized on V	Vages & Salaries	

⁽³⁴⁾ Adjustment to Test Year operations to reflect the annualization of payroll, payroll tax and non-retirement benefit expenses to March 2019 employee levels for performance review and March 2020 Union employee levels.

Supporting Schedules:

⁽³⁵⁾ Adjustment to Test Year operations to reflect the current December 2018 actuarial valuation of retirement program expenses.

⁽³⁶⁾ Adjustment to Test Year operations to remove Supplemental Excess Benefit Retirement Plan Expense (SERP).

JUNE 30, 2019 (Thousands of Dollars)

(37)

(38)

		Remove Stock	Compensation	Normalize C	Cash Incentive	Reverse Normalization	Cash Incentive -Allc Incenti	
Line No.	Description	Total Co.	ACC (BT)	Total Co. (BU)	ACC (BV)	Total Co.	ACC	Total Co.
	Electric Operating Revenues	(00)	(Div	(50)	(5.7)			
ñ.	Revenues from Base Rates	S -	\$	\$ -	\$	\$	\$	\$ -
2. 3.	Revenues from Surcharges			*	(20)	· ·		*
3.	Other Electric Revenues				3.50	197	2	*
4.	Total Electric Operating Revenues	3 7 31			320	19		10 31 31
5.	Electric Fuel and Purchased Power Costs				220	· · · · · · · · · · · · · · · · · · ·		77
6.	Oper Rev Less Fuel & Purch Pwr Costs	12 N	3 8	÷. 5	(20) TO	E	3	## ±##
	Other Operating Expenses:							
7.	Operations Excluding Fuel Expense	(15,882)	(14,580)	4,153	3,812	(4,153)	(3,812)	(24,592)
8.	Maintenance	2 9		126	116	(126)	(116)	20 - 10
9.	Subtotal	(15,882)	(14,580)	4,279	3,928	(4,279)	(3,928)	(24,592)
10.	Depreciation and Amortization	35		*	320	æ	*	*
11.	Amortization of Gain	**		#E				*
12.	Administrative and General	*	8	1,327	1,218	(1,327)	(1,218)	*
13.	Other Taxes	14)		*	- 32/			(#)
14.	Total Other Operating Expense	(15,882)	(14,580)	5,606	5,146	(5,606)	(5,146)	(24,592)
15.	Operating Income Before Income Tax	15,882	14,580	(5,606)	(5,146)	5,606	5,146	24,592
16.	Interest Expense	5			350	35		38
17.	Taxable Income	15,882	14,580	(5,606)	(5,146)	5,606	5,146	24,592
18.	Current Income Tax Rate - 24.75%	3,931	3,608	(1,388)	(1,274)	1,388	1,274	6,086
19.	Operating Income (line 15 minus line 18)	\$ 11,951	\$ 10,972	\$ (4,218)	\$ (3,872)	\$ 4,218	\$ 3,872	\$ 18,506

PRO FORMA WITNESS:

PRO FORMA FUNCTIONALIZATION or ALLOCATION FACTOR: [WITNESS: SNOOK] BLANKENSHIP

Jurisdictional

2. Functionalized on Wages & Salaries

BLANKENSHIP

1. Jurisdictional

2. Functionalized on Wages & Salaries

- (37) Adjustment to Test Year operations to remove stock compensation expense.
- (38) Adjustment to Test Year operations to normalize the cash incentive program over a 3 year period.
- (39) Adjustment to Test Year operations for top down income tax true-ups consistent with Decision Nos. 69663, 71448, 73183, and 76295 using the 6/30/2019 rate base and cost of long-term debt. Tax true-ups are reflected as interest in this adjustment.

Supporting Schedules:

N/A

		w 25% of Cash ve	Executive Compensa of Base Salary	ation - Remove 50%	D&E Insuranc	e 50/50 Sharing		bership Dues - 50/50 aring	Normalize Income Syncl
Line No.	Description	ACC	Total Co.	ACC	Total Co.	ACC	Total Co.	ACC	Total Co.
	Electric Operating Revenues								(5)
1.	Revenues from Base Rates	\$ -			\$ -	\$ -	\$ -	\$	\$
2.	Revenues from Surcharges	848			8	*	*	186	
3.	Other Electric Revenues	38					<u>*</u>		551
4.	Total Electric Operating Revenues	98			E 2	** **	# # # # # # # # # # # # # # # # # # #	5- 10-10	55
5.	Electric Fuel and Purchased Power Costs	560					*:	186	553
6.	Oper Rev Less Fuel & Purch Pwr Costs	h 180 3			H N	* *	# # # # # # # # # # # # # # # # # # #	Fi 1881	51 SM
	Other Operating Expenses:								
7.	Operations Excluding Fuel Expense	(22,574)	(12,950)	(12,173)			*	100	
8.	Maintenance	38	8	81 St	35	*	**	135	1.5
9.	Subtotal	(22,574)	(12,950)	(12,173)		30 E	# ±	57 135 13	5 55 E
10.	Depreciation and Amortization	340					*	181	i e i
11.	Amortization of Gain	550			5	*	*5	1151	
12. 13.	Administrative and General	100			(376)	(376)	1,791	1,791	
13.	Other Taxes	888				7,00	*	100	151
14.	Total Other Operating Expense	(22,574)	(12,950)	(12,173)	(376)	(376)	1,791	1,791	S 551
15.	Operating Income Before Income Tax	22,574	12,950	12,173	376	376	(1,791)	(1,791)	S S S S S S S S S S S S S S S S S S S
16.	Interest Expense	arc.	-	·	~		£4	: les	23,665
17.	Taxable Income	22,574	12,950	12,173	376	376	(1,791)	(1,791)	(23,665)
18.	Current Income Tax Rate - 24.75%	5,587	3,205	3,013	93	93	(443)	(443)	(5,857)
19.	Operating Income (line 15 minus line 18)	\$ 16,987	\$ 9,745	\$ 9,160	\$ 283	\$ 283	\$ (1,348)	\$ (1,348)	\$ 5,857

PRO FORMA WITNESS:

PRO FORMA FUNCTIONALIZATION or ALLOCATION FACTOR: [WITNESS: SNOOK] BLAN

1. Jurisdictional

2. Calculated as the
"Other Tax Items"

Supporting Schedules: N/A

JUNE 30, 2019 (Thousands of Dollars)

(39)

Tax Expense/Interest ronization

Line			
No.	Description		(BX)
	Electric Operating Revenues		(DA)
٦.	Revenues from Base Rates	\$	
2	Revenues from Surcharges	Φ	
2.	Other Electric Revenues		-
2. 3. 4.	Total Electric Operating Revenues	8	551 551
5.	Electric Fuel and Purchased Power Costs		E=1
6.	Oper Rev Less Fuel & Purch Pwr Costs	8	551
	Other Operating Expenses:		
7.	Operations Excluding Fuel Expense		5.00
8.	Maintenance		(*)
9.	Subtotal	칮	5.51
10.	Depreciation and Amortization		551
11.	Amortization of Gain		(e.)
12.	Administrative and General		
13.	Other Taxes		(+)
14.	Total Other Operating Expense	负	5.53
15.	Operating Income Before Income Tax	81 51	553
16.	Interest Expense		24,404
17.	Taxable Income	Si	(24,404
18.	Current Income Tax Rate - 24.75%	\$	(6,040
19.	Operating Income (line 15 minus line 18)	\$	6,040

PRO FORMA WITNESS: IKENSHIP

PRO FORMA

FUNCTIONALIZATION or

ALLOCATION FACTOR: [WITNESS:

SNOOK]

Supporting Schedules: N/A

Recap Schedules: (a) C-1

weighted average of

JUNE 30, 2019 (Thousands of Dollars)

(41)

(42)

		Annualize Prope	erty Tax Expense		Amortize Prope	rty Tax Deferral	West Phoe	nix Remova	l Costs
ine Io.	Description	Total Co.	ACC	-1	Total Co.	ACC	Total Co.		ACC
	ALEXANDER OF THE PROPERTY OF T	(BY)	(BZ)	00 00	(CA)	(CB)	(CC)	5 12	(CD)
	Electric Operating Revenues								
1. 2.	Revenues from Base Rates	\$ 5	\$	\$	25	\$	\$ -	\$	68
2.	Revenues from Surcharges	F6	2		25	8	51		68
3.	Other Electric Revenues				<u> </u>		51		185
4.	Total Electric Operating Revenues	55	10 2		2 2	2 3	51		68
5.	Electric Fuel and Purchased Power Costs	59	>			8	51		125
6.	Oper Rev Less Fuel & Purch Pwr Costs	# E	10 A		8 5	2 S	# 51	6 2	85
	Other Operating Expenses:								
7.	Operations Excluding Fuel Expense	56	5		*	8	55		27
8.	Maintenance	54					55		88
9.	Subtotal	NE 10	.s	91 90	8 S			B 8	185
0.	Depreciation and Amortization	56			*		998		993
1.	Amortization of Gain	58			*		55		65
2.	Administrative and General	56			*		55		68
3.	Other Taxes	4,549	3,7	39	(590)	(590)	57		185
4.	Total Other Operating Expense	4,549	3,7	39	(590)	(590)	998	j. 3.	993
5.	Operating Income Before Income Tax	(4,549)	(3,7	39)	590	590	(998)	3 S 2 S	(993
6.	Interest Expense				(33)	(33)			(it
7.	Taxable Income	(4,549)	(3,7	39)	623	623	(998		(993
8.	Current Income Tax Rate - 24.75%	(1,126)	(9	38)	154	154	(247		(246
9.	Operating Income (line 15 minus line 18)	\$ (3,423)	\$ (2,8	51) \$	436	\$ 436	\$ (751	\$	(747
	PRO FORMA WITNESS:	BLANK	ENSHIP		BLANK	ENSHIP	BLA	NKENSHIP	
		 Jurisdictional 			Specific		 Jurisdictional 		
	PRO FORMA	Functionalized on P	T&D			Tax functionalized on	2. Assigned to Proc	uction Dem	and
	FUNCTIONALIZATION or					ation Property Tax	(DEMPROD1)		
	ALLOCATION FACTOR: [WITNESS:					and Production (Retail			
	SNOOK]			DEMP	ROD1)				

(40) Adjustment to Test Year operations to annualize property taxes calculated using the anticipated 2019 tax assessment ratio and tax rate.

(41) Adjustment to amortize the property tax deferral as authorized in Decision No. 76295 over 10 years. Pro forma adjusted as shown on Schedule B-2, page 3, column 9.

(42) Adjustment to include additional costs of removal related to the decommissioning of West Phoenix Steam Units 4, 5 & 6.

Supporting Schedules:

Recap Schedules:

(a) C-1

TEST YEAR ENDED JUNE 30, 2019 (Thousands of Dollars)

(44)

(45)

			ers Power Plant Coal tion Costs	Annualize Navajo Reclamat	Power Plant Coal tion Costs		ng Capital for Cost of Pro Formas
ine No.	Description	Total Co.	ACC (CF)	Total Co.	ACC (CH)	Total Co.	ACC
	Electric Operating Revenues	(GE)	(GF)	(CG)	(CH)	(CI)	(CJ)
1.	Revenues from Base Rates	\$ -	\$	\$ -	\$	\$ -	\$
	Revenues from Surcharges	*	*	*	34	*	
2. 3.	Other Electric Revenues		*	*	28	8	
4.	Total Electric Operating Revenues	- Th	* 1	\$ 100 miles	15	10 0	£ 5
5.	Electric Fuel and Purchased Power Costs	(3,145)	(3,131)	1,910	1,902	8	
6.	Oper Rev Less Fuel & Purch Pwr Costs	3,145	3,131	(1,910)	(1,902)	idi	£ 8
	Other Operating Expenses:						
7.	Operations Excluding Fuel Expense	8	*	*	8	20	8
8.	Maintenance		*	*	85		35
9.	Subtotal	5 B	£	€ ±	St 65	A 5	Ú g
0.	Depreciation and Amortization		*	*	88		*
1.	Amortization of Gain		**	**	88	*	2
2.	Administrative and General		*	*	88	20	8
3.	Other Taxes	*	*				
4.	Total Other Operating Expense	F 5	(a)	**	88 88	SI 51	E
5.	Operating Income Before Income Tax	3,145	3,131	(1,910)	(1,902)	(F 5)	(E
6.	Interest Expense				# *	(195)	(179
7.	Taxable Income	3,145	3,131	(1,910)	(1,902)	195	179
8.	Current Income Tax Rate - 24.75%	778	775	(473)	(471)	48	44
9.	Operating Income (line 15 minus line 18)	\$ 2,367	\$ 2,356	\$ (1,437)	\$ (1,431)	\$ (48)	\$ (44
	PRO FORMA WITNESS:		ENSHIP	BLANK	ENSHIP		ENSHIP
		 Jurisdictional 		 Jurisdictional 		 Jurisdictional 	
	PRO FORMA FUNCTIONALIZATION or ALLOCATION FACTOR: [WITNESS: SNOOK]	2. Assigned to System (ERGSYSBEN)	Benefits	2. Assigned to System (ERGSYSBEN)	Benefits	2. Functionalized on W	/ages & Salaries

⁽⁴³⁾ Adjustment to Test Year operations to reflect most recent Four Corners Power Plant coal reclamation study.

Supporting Schedules:

⁽⁴⁴⁾ Adjustment to Test Year operations to reflect the most recent Navajo Power Plant coal reclamation study.

⁽⁴⁵⁾ Adjustment to Test Year interest expense for cash working capital rate base pro forma adjustment. Pro forma adjusted as shown on Schedule B-2, page 4, column 10.

JUNE 30, 2019 (Thousands of Dollars)

ouries or Bonars)

(47)

(48)

			Normalize	Advertisin	ng	Nor	malize Nuclear M	Maintenance	e Expense	Non	malize Fossil M	aintenance	Expense
Line No.	Description		otal Co. (CK)	94	ACC (CL)		otal Co.	1 = 1 = 1 = 1 = 1 = 1 = 1 = 1 = 1 = 1 =	ACC (CN)		otal Co.	8	ACC (CP)
	Electric Operating Revenues		(Ott)		(OL)		(OM)		(0.1)		(00)		(01)
j.	Revenues from Base Rates	\$	53	\$	*	\$	2.50	\$		\$	*	\$	55
2.	Revenues from Surcharges		53		*		2.00	0.20		10.00		200	5.4
3.	Other Electric Revenues		-51		×		2:00		98		94		58
4.	Total Electric Operating Revenues	-6	51	915	*		120	Ter#	* 50	ii.	* "	Š.	55
5.	Electric Fuel and Purchased Power Costs		50		*		8.00		*		*		58
6.	Oper Rev Less Fuel & Purch Pwr Costs	22	55	313	*		120 T	1-a Cord	*	\$ 5	*	ä.	55
	Other Operating Expenses:												
7.	Operations Excluding Fuel Expense		(2,264)		(2,264)		320		*		*		55
8.	Maintenance		20 51 33		8 . N		1,386		1,380		5,882		5,856
9.	Subtotal	75	(2,264)	355	(2,264)		1,386	100	1,380	100	5,882	8	5,856
10.	Depreciation and Amortization		51		*		(#)		*				85
11.	Amortization of Gain		51		*		200		*		*		55
12.	Administrative and General		51		*		320		*		*		5 5
13.	Other Taxes		51		*		520		*		*		55
14.	Total Other Operating Expense	25	(2,264)	35	(2,264)		1,386	45	1,380	÷	5,882	33	5,856
15.	Operating Income Before Income Tax	0s 05	2,264	35 35	2,264		(1,386)	6	(1,380)	6	(5,882)	S.	(5,856)
16.	Interest Expense		= =		===		358						
17.	Taxable Income		2,264		2,264		(1,386)		(1,380)		(5,882)		(5,856)
18.	Current Income Tax Rate - 24.75%		560		560		(343)		(342)		(1,456)		(1,449)
19.	Operating Income (line 15 minus line 18)	\$	1,704	\$	1,704	\$	(1,043)	\$	(1,038)	\$	(4,426)	\$	(4,407)
	PRO FORMA WITNESS:		BLANK	ENSHIP			BLANK	ENSHIP			BLANK	ENSHIP	
	PRO FORMA FUNCTIONALIZATION or ALLOCATION FACTOR: [WITNESS: SNOOK]		Specific tionalized on V ission	Vages & S	alaries less		edictional gned to Production (GY1)	on - Energy	Y 0		dictional gned to Produc GY1)	tion - Ener	gy
		(46) Adjustn	nent to Test Ye	ar operation	ons to normalize	advertising	expense over a	3 year peri	od.				
		(47) Adjustn	nent to Test Ye	ar operatio	ons to normalize	nuclear pro	duction maintena	ance exper	ise over a 3 vea	r period.			

(48) Adjustment to Test Year operations to normalize fossil production maintenance expense over a 6 year period.

Supporting Schedules: N/A

JUNE 30, 2019 (Thousands of Dollars)

(50)

(51)

Revenues in Base Rates in Surcharges Revenues tric Operating Reven Purchased Power Co Less Fuel & Purch P ixpenses: cluding Fuel Expens and Amortization if Gain	osts Pwr Costs	\$	1,487 1,487		ACC (CR)	Tc	otal Co. (CS)	\$	ACC (CT)		otal Co. (CS)		ACC (CT)
m Base Rates m Surcharges Revenues tric Operating Reven Purchased Power Co Less Fuel & Purch P ixpenses: cluding Fuel Expens and Amortization of Gain	osts Pwr Costs	\$	1,487		5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	\$	(CS)	\$	(61)		(CS)		(CI)
m Base Rates m Surcharges Revenues tric Operating Reven Purchased Power Co Less Fuel & Purch P ixpenses: cluding Fuel Expens and Amortization of Gain	osts Pwr Costs	\$	1,487	\$	5 5 N	\$	5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	\$	# # # # # # # # # # # # # # # # # # #	\$	-	\$	35 35 35 35
n Surcharges Revenues tric Operating Reven Purchased Power Co Less Fuel & Purch F expenses: cluding Fuel Expens and Amortization of Gain	osts Pwr Costs	s	1,487		5 5 14 5 14 5 14 14 14 14 14 14 14 14 14 14 14 14 14	E E	5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	3	* ************************************	18 To	*	5 -	
Revenues tric Operating Reven Purchased Power Ct Less Fuel & Purch P ixpenses: cluding Fuel Expens and Amortization of Gain	osts Pwr Costs	2	1,487		<u> </u>	## ## ## ## ## ## ## ## ## ## ## ## ##	5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5		****) (1	*	ā.	# # # # # # # # # # # # # # # # # # #
tric Operating Reven Purchased Power Co Less Fuel & Purch P ixpenses: ixpulse Fuel Expens and Amortization of Gain	osts Pwr Costs		1,487	ALF	5 14 5 14 5 14 5 14 5 14 5 14 5 14 5 14	2	# # # # # # # # # # # # # # # # # # #	3	* 1	1 4	***	5 1	
Less Fuel & Purch F expenses: cluding Fuel Expense and Amortization of Gain	Pwr Costs		1,487	e de la companya de l	# 14 E	27	# # # # # # # # # # # # # # # # # # #	35	* *	ja	* *	ä	13
expenses: cluding Fuel Expense and Amortization of Gain		<u>.</u>	1,487	##	e la		**************************************		*	i a	*	S.	-51
cluding Fuel Expens und Amortization of Gain	se	æ			Maria Caraca								
and Amortization	se	2			***								
f Gain		2					₹6		*		*		675
f Gain		2	1 407		1,481				*		*		53
f Gain			1,407	1945	1,481	100	ti.	10	* *	10	* **	8	-37
					**		*5		*		(11,504)		(11,454
					85								
and General					*5		(14,207)		(13,042)		*		675
		_			*5		* *				*		135
r Operating Expense	9		1,487		1,481		(14,207)		(13,042)		(11,504)		(11,454
Before Income Tax		2	(1,487)	ini ini	(1,481)		14,207	0	13,042	5	11,504	£	11,454
			-				- 51						35
ie .		128	(1,487)	377	(1,481)	565	14,207		13,042		11,504	165	11,454
ax Rate -	24.75%		(368)		(366)		3,516		3,228		2,847		2,835
(line 15 minus line 1	18)	\$	(1,119)	\$	(1,115)	\$	10,691	\$	9,814	\$	8,657	\$	8,619
			sdictional				dictional		EV-20-5		dictional		
INCTIONALIZATION I FACTOR: [WITNE	N or SS:			tion - Energ	ЭУ	2. Func	tionalized on W	ages & S	alaries			Benefits	
	ie ax Rate - (line 15 minus line 1 RO FORMA WITNE PRO FOF NCTIONALIZATIOI I FACTOR: [WITNE	е	RO FORMA WITNESS: PRO FORMA 2. Ass NCTIONALIZATION or I FACTOR: [WITNESS: SNOOK]	RO FORMA WITNESS: PRO FORMA NCTIONALIZATION or I FACTOR: [WITNESS: SNOOK] RO (1,487) \$ (1,487) \$ (368) \$ (1,119) \$ (RO FORMA WITNESS: PRO FORMA NCTIONALIZATION or I FACTOR: [WITNESS: SNOOK] PRO FORMA (1,487) \$ (1,487) \$ (368) \$ (1,119) \$ BLANKENSHIP 1. Jurisdictional 2. Assigned to Production - Energy (ENERGY1)	Company Comp	(1,487)	(1,487)	RO FORMA WITNESS: BLANKENSHIP 1. Jurisdictional 2. Assigned to Production - Energy FACTOR: [WITNESS: SNOOK] SNOOK]	(1,487)	(1,487)	(1,487)	(1,487)

(50) Adjustment to Test Year operations to remove out of period and miscellaneous items from the Test Year period.

(51) Adjust test year to amortize Cholla Unit 2 Regulatory Asset over the remaining plant life instead of the accelerated method approved in Decision No. 76295.

Supporting Schedules:

Recap Schedules:

(a) C-1

(Thousands of Dollars)

(52)

Total Income Statement Adjustments

Line No.	Description	(a) Total Co.	(a) ACC				
- 0	5 2	(CU)	(CV)				
	Electric Operating Revenues						
1. 2. 3. 4.	Revenues from Base Rates	\$ 5,612	\$ 5,612				
2.	Revenues from Surcharges	(128,995)	(128,979)				
3.	Other Electric Revenues	(6,040) (6					
4.	Total Electric Operating Revenues	(129,423) (129,4					
5.	Electric Fuel and Purchased Power Costs	(139,546) (139					
6.	Oper Rev Less Fuel & Purch Pwr Costs	10,123	9,871				
	Other Operating Expenses:						
7.	Operations Excluding Fuel Expense	(206,505)	(202,308)				
7. 8. 9.	Maintenance	6,523 6,5					
9.	Subtotal	(199,982)	(195,793)				
10.	Depreciation and Amortization	145,961	144,734				
11.	Amortization of Gain	(5)					
12.	Administrative and General	(12,268)	(11,105)				
13.	Other Taxes	3,959	3,199				
14.	Total Other Operating Expense	(62,330)	(58,965)				
15.	Operating Income Before Income Tax	72,453	68,836				
16.	Interest Expense	27,324	27,903				
17.	Taxable Income	45,129	40,933				
18.	Current Income Tax Rate - 24.75%	11,169	10,131				
19.	Operating Income (line 15 minus line 18)	\$ 61,284	\$ 58,705				

PRO FORMA WITNESS:

PRO FORMA **FUNCTIONALIZATION** or ALLOCATION FACTOR: [WITNESS: SNOOK]

Supporting Schedules:

DOCKET NO. E-01345A-19-0236

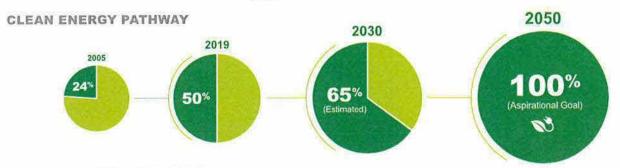
Exhibit FWR-33 Pinnacle West 2020 Proxy Statement

20 Powering the future PROXY STATEMENT





APS Clean Energy Commitment



CLEAN ENERGY COMMITMENTS

- · 100% clean, carbon-free electricity by 2050
- · 65% clean energy by 2030, with 45% of our generation portfolio from renewable energy
- · End our use of coal-fired generation by 2031

A CLEAN ECONOMIC FUTURE

- · Meet our responsibility to power a low-carbon economy in Arizona
- · Guided by sound science to advance a healthy environment
- Market-driven energy innovation and a strong Arizona economy are critical
- Starting from an energy mix that is 50% clean, including energy efficiency and carbon-free and clean energy from Palo Verde Generating Station

PATHWAYS TO 100% CLEAN

CISIONS	Support policy decisions that leverage market-based technology and innovation to attract investment in Arizona
OWER SOURCES	Near-term use of natural gas until technological advances are available to maintain reliable service at reasonable prices
MARKET-BASED SOLUTIONS	Participation in the Energy Imbalance Market provides access to clean energy resources while saving customers money
ATION	Electrification will drive a cleaner environment and more energy-efficient operations throughout the economy
ATION OF THE ELECTRIC GRID	Continue to advance infrastructure that is responsive and resilient while providing customers more choice and control
ORAGE SOLUTIONS	Storage creates opportunity to take advantage of midday solar generation and better respond to peak demand
	CISIONS OWER SOURCES MARKET-BASED SOLUTIONS CATION ATION OF THE ELECTRIC GRID ORAGE SOLUTIONS

NEXT STEPS: COLLABORATION, ALIGNMENT AND INNOVATION

- · Reliability and affordability are foundational
- · Collaborate with customers, stakeholders and regulators
- · Promote economy-wide electrification of industry, transportation and buildings
- · Support innovation, research and development of new technology

aps.com/cleanenergy

COVER PHOTO

STACEY HOBIN | SR. ENVIRONMENTAL SCIENTIST

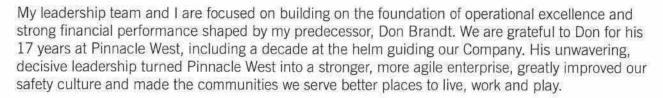
Talented and resourceful employees in STEM careers and across the Company enable us to deliver clean, reliable and affordable energy to our customers.

A MESSAGE FROM OUR CHAIRMAN, PRESIDENT AND CEO

To our Shareholders:

On behalf of our Board of Directors, management and employees, I invite you to participate in our 2020 Annual Meeting of Shareholders. The meeting will be held at 10:30 a.m. (MST), Wednesday, May 20, 2020. Details regarding how to attend the meeting and the business to be conducted are in the accompanying Notice of Annual Meeting and Proxy Statement.

Now in my first full year as Chairman, President and CEO, I am honored to lead Pinnacle West into a new phase of our Company's journey. We take tremendous pride in our commitment to customers, employees, the communities we serve across Arizona and you, our shareholders. Pinnacle West achieved another year of strong operational performance in 2019, led by our talented and resourceful employees. You can learn more about those accomplishments inside on pages 3-7, in the Annual Report that accompanies this Proxy Statement and online at pinnaclewest.com.



That foundation is serving our Company well as we continue into unquestionably a time of transition for our industry, our state's energy future, and fulfilling the needs and expectations of our customers. Our corporate strategy will address critical challenges ahead, including:

- Oelivering cleaner energy without compromising affordability and reliability for our customers;
- Substantial Enhancing customer satisfaction with the services we provide;
- Fostering a workplace culture that enables us to attract and retain a diverse, inclusive workforce; and
- Making investments in our system to meet our customers' needs, support the state's economic and population growth, and position our company for a sustainable future.

"We take tremendous pride in our commitment to customers, employees, the communities we serve across Arizona and you, our shareholders."

A MESSAGE FROM OUR CHAIRMAN, PRESIDENT AND CEO

Also critical to our long-term success is building value for our shareholders. We acknowledge that the Company underperformed compared to our historical track record for total shareholder return ("TSR") in 2019. Increased regulatory uncertainty impacted shareholder confidence. We are already on a more positive path forward by focusing on robust communication and collaboration with the Arizona Corporation Commission ("ACC") and other stakeholders. We believe we have the right strategy and team in place to once again meet your expectations for delivering consistent shareholder value and meeting the needs of our customers and various stakeholders.

Our Board of Directors plays a vital role in establishing our corporate strategy. Their varied knowledge, experience and skills bring crucial insights to developing near- and long-term goals and ultimately overseeing our progress in building a more sustainable energy future and creating value for our customers and shareholders.

One of our longtime Directors, Mike Gallagher, will retire from the Board as of the 2020 Annual Meeting. We thank Mike for his many years of service; his deep knowledge of Arizona and valued counsel on important issues facing our Company will be missed.

Finally, your vote is important to us. Whether or not you plan to participate in the Annual Meeting, we encourage you to vote promptly. You may vote on the internet; by telephone; or by completing, signing, dating and returning a proxy card or voting instruction form.

Thank you for your investment and continued support of Pinnacle West.

Sincerely,

Jeffrey B. Guldner

Chairman of the Board, President and Chief Executive Officer

A MESSAGE FROM OUR LEAD DIRECTOR

Dear Fellow Shareholders,

On behalf of the Board, I thank you for your investment in Pinnacle West. As we approach our 2020 Annual Meeting, I take this opportunity to provide you with an update on how your Board is approaching and addressing key areas of shareholder value, management succession planning, and board refreshment. Through these areas, your Board is positioning Pinnacle West for continued sustainable growth.



As directors of Arizona's largest and longest-serving electric company, we view operational excellence as paramount to long-term value creation for our shareholders. Our management team continues to drive outstanding operational execution while growing our business and leveraging technology to promote a long-term sustainable operation.

and leveraging technology to promote a long-term sustainable energy future. As Jeff notes in his letter, during 2019 our total shareholder value underperformed our historical track record. We believe Jeff and his management team have the right strategy in place to drive shareholder value performance and the Board will continue to focus on strategic matters of importance to our Company, including operational excellence, customer service and shareholder value.



In August 2019, we announced that Jeff Guldner would succeed Don Brandt as Chairman, CEO and President of Pinnacle West and as Chairman of the Board and CEO of APS, effective November 2019. This seamless CEO transition reflects the very deliberate succession and development plan overseen by the Board, who remains focused on building a sustainable leadership pipeline. Jeff, who joined us in 2004, was promoted to the position of President of APS in 2018 where he had responsibility for all aspects of APS, excluding nuclear generation. He also served as Executive Vice President, Public Policy of Pinnacle West. Given Jeff's long tenure, as well as his operating experience and strong background in legal and regulatory matters, your Board is confident that Jeff and his management team will provide steady and thoughtful leadership.

"This seamless CEO transition reflects the very deliberate succession and development plan overseen by the Board, who remains focused on building a sustainable leadership pipeline."

On January 21, 2020, Maria Lacal took over as Executive Vice President and Chief Nuclear Officer, succeeding Bob Bement in that role. Maria joined APS in 2007 as Director of Strategic Projects at Palo Verde Generating Station. In 2011, she was promoted to Vice President of Operations Support and subsequently promoted to Senior Vice President, Regulatory and Oversight in 2016. Prior to joining APS, she served as Director of Operations Support for the nuclear division of Florida Power & Light Company

A MESSAGE FROM OUR LEAD DIRECTOR

and held other management positions at Turkey Point Nuclear Plant. She becomes only the second woman in the United States to be named a Chief Nuclear Officer and the first at Palo Verde, the nation's largest energy producer for 27 consecutive years.

With a goal to align operations to support a future focused on customers, clean energy, economic development throughout the communities we serve, and sustainable growth for the Company, APS and Arizona, the Board, working with Jeff Guldner, made additional changes to the management team. We promoted Daniel Froetscher to the position of President and Chief Operating Officer of APS. Jim Hatfield was promoted to the position of Executive Vice President and Chief Administrative Officer of Pinnacle West and APS, and Ted Geisler was promoted to the position of Senior Vice President and Chief Financial Officer of Pinnacle West and APS. Ted has been Vice President and Chief Information Officer of APS since February 2018. He previously held the positions of: General Manager, Transmission and Distribution Operations and Maintenance of APS; Director, Investor Relations of Pinnacle West; and Director, Transmission Operations and Maintenance of APS. Ted possesses the skill set we believe is needed to be an effective and impactful CFO, such as having a deep understanding of our business and industry, financial foresight, financial competence and a well-balanced perspective on risk. We have strategically selected successors for our management team who we believe will lead our Company successfully into the future with continued strong and sustainable performance.

ROBUST BOARD REFRESHMENT PLANNING PRACTICES

In addition to our deliberate and thoughtful approach to management succession planning, the Board has been equally mindful of its own refreshment practices to facilitate an orderly transition of Board members. Since we adopted a Director Retirement Policy in 2016, we have had one Board member retire and we have added three new members to the Board. This year, one of our current Directors, Mike Gallagher, is retiring under our policy and will not stand for re-election at the Annual Meeting. We thank him for his years of service. Our Company and our Board have benefitted greatly from his counsel and guidance.

In February 2020, we added Glynis Bryan to our Board. With more than 20 years of CFO experience, Glynis brings additional financial, audit and accounting, and public company board experience to our Board, supplementing our current knowledge base and positioning us for seamless transitions as our Board refreshment process continues.

"As part of our Board refreshment planning process, we have developed and continue to update a matrix of our Board members' skills and experience, assessing where we need to augment certain skills and experience due to upcoming Board retirements and/or our future long-term plans, while continuing our focus on diversity among our members."

In February 2020, we reevaluated our Director Retirement Policy. The policy as drafted could have resulted in long tenure solely by virtue of the person's age when he or she joined the Board. As such, we amended the policy to add a 12-year term limit in addition to an age limit. The new policy provides that a non-employee Director will not be eligible to be nominated for election or re-election as a member of the Board if, as of the commencement of the term for which they are nominated, such Director will have completed 12 years of service from the date of first election to the Board or attained 75 years of age. We also added a provision that will allow the Board, if it determines that it is in the best interest of the Company to do so, to extend such term limit to up to 15 years for a particular nominee, so long as the average tenure of the overall Board is less than 10 years. We believe this combination of both a term and age limit creates the most robust and effective policy.

We were also concerned about the turn-over rate of the Board members under the age-only policy in light of the Company having a newly appointed CEO. Under the age only policy, we would experience multiple years with more than one member scheduled to retire. We believe that it is in the best interests of the Company to better stagger these retirements while Jeff gets more experience in the CEO role. As such, we created a transition period that slowed the immediate turn-over rate, but provided a bridge to the final policy. Through and until the 2024 Annual Meeting of Shareholders, a non-employee Director shall be eligible for nomination for election or re-election as a member of the Board unless, as of the commencement of the term for which they are nominated, such Director will have completed 12 years of service from the date of first election to the Board and the individual has attained 75 years of age. During both the transition period and the time covered by the final policy, the policies will apply regardless of the source of the nomination or whether the nomination was made at a meeting of the Board of Directors, at an Annual Meeting or otherwise.

As part of our continued Board refreshment planning process, we have developed and continue to update a matrix of our Board members' skills and experience, assessing where we need to augment certain skills and experience due to upcoming Board retirements and/or our future long-term plans, while continuing our focus on diversity among our members. We require our outside director search firm to make diversity a focal point of all our searches, with a continued emphasis on women and diverse candidates.

SHAREHOLDER-INFORMED CHANGES

Shareholder input is very valuable to the Board's decision-making. Pinnacle West has an established shareholder engagement program where we engage with our shareholders throughout the year to discuss issues or concerns and to answer questions. We learn a great deal through our engagement program. Last year we had a shareholder proposal seeking to lower the percent of shares required to call a special meeting of shareholders to 10%. You did not pass that proposal. In our off-season outreach, it became evident that there is no clear consensus on what is the correct percentage. In recognition of the fact that our shareholders support various percentages ranging from 25% to 10%, and that although the proposal did not pass last year it did have significant support, we have responded by lowering the percentage to 15%. We continue to believe that 10% is too low for the reasons we set forth in the Proxy Statement starting on page 108.

We are pleased to report two consecutive years of strong say-on-pay support, with 93% in 2018 and over 95% in 2019, which is the result of our engagement with you. We thank you for your input and your support, and we invite you to read more about our compensation program in this Proxy Statement starting on page 48.

BOARD OVERSIGHT OF STRATEGY AND THE BUSINESS

Our independent Board members are expected to be active, engaged and contributing members. Our discussions are focused on oversight of Pinnacle West's business strategy, targeting the Company's critical areas of focus of shareholder value, operational excellence, environment, customer value, employees, security, and the communities we serve. We are excited about our announcement of our Clean Energy Commitment and our plan to deliver 100% clean energy to our customers by 2050, with a near-term 2030 target of 65% clean energy, with 45% of our portfolio coming from renewable energy.

In 2019 we held a combined total of 35 Board and Board committee meetings, including an all-day session at the Palo Verde Generating Station. In addition to the Board meetings, our Directors have focused on our shareholder engagement program and participated in continuing director education sessions. In addition, Paula Sims and Jim Trevathan recently attended the 2019 Goizueta Directors Institute program "Improving Effectiveness of Nuclear Utility Board Members,"

"We are excited about our announcement of our Clean Energy Commitment and our plan to deliver 100% clean energy to our customers by 2050, with a near-term 2030 target of 65% clean energy, with 45% of our portfolio coming from renewable energy."

a two-day program designed specifically for directors of companies with nuclear operations by the Institute of Nuclear Power Operations, the National Academy for Nuclear Training, and the Goizueta Business School at Emory University.

On behalf of the Board, I thank our shareholders for their time and feedback. I am pleased to provide this additional window into the Board's activities in 2019 and express our commitment to running our business for the long-term value creation for our shareholders. We appreciate your support at our 2020 Annual Meeting.

Sincerely,

Kathryn L. Munro Lead Director

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Report of the Audit Committee

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NOTICE OF THE 2020 ANNUAL MEETING OF SHAREHOLDERS





DATE AND TIME

Wednesday, May 20, 2020 at 10:30 a.m., Mountain Standard Time



LOCATION

Online at www.virtualshareholdermeeting.com/PNW



WHO CAN VOTE

All shareholders of record at the close of business on March 12, 2020 are entitled to notice of and to vote at the **Annual Meeting**

ADVANCE VOTING METHODS



INTERNET

www.proxyvote.com



TELEPHONE

1-800-690-6903



MAIL

Mark, sign, date, and mail your proxy card or voting instruction form (a postage-paid envelope is provided for mailing in the United States)

	DUARD
VOTING ITEMS	RECOMMEN
1 To place alouen	 Ct ron

- To elect eleven directors to serve until the 2021 Annual Meeting of Shareholders
- 2. To hold an advisory vote to approve executive compensation
- 3. To ratify the appointment of our independent accountant for the year ending December 31, 2020
- 4. A shareholder proposal asking the Company to amend its governing documents to reduce the ownership threshold to 10% to call special shareholder meetings, if properly presented at the Annual Meeting of Shareholders

DATIONS

- FOR each director nominee
- FOR

Your vote is important. Whether you plan to participate in the Annual Meeting or not, please promptly vote by telephone, over the Internet, by proxy card, or by voting instruction form.

By order of the Board of Directors,



Diane Wood

Corporate Secretary April 6, 2020

The Proxy Statement and form of proxy are first being made available to shareholders on or about April 6, 2020.

EXECUTIVE OFFICES ADDRESS:

PINNACLE WEST CAPITAL CORPORATION Post Office Box 53999 Phoenix, Arizona 85072-3999

PROXY STATEMENT SUMMARY

This summary highlights certain information about our business and information contained elsewhere in this Proxy Statement. As it is only a summary, please read the complete Proxy Statement and 2019 Annual Report before you vote. The Proxy Statement and form of proxy are first being made available to shareholders on or about April 6, 2020.

Who We Are

We are Pinnacle West Capital Corporation ("Pinnacle West", "PNW" or the "Company"). We are an investor-owned electric utility holding company based in Phoenix, Arizona with consolidated assets of about \$18 billion. For more than 130 years, Pinnacle West and our affiliates have provided energy and energy-related products to people and businesses throughout Arizona. Our success enables us to reinvest in our home state's growth and give back to our communities, enhancing Arizona's continued economic and cultural vitality.



APS is Arizona's largest and longestserving electric company that generates safe, affordable and reliable electricity for approximately 1.3 million retail and residential customers in 11 of Arizona's 15 counties.

Pinnacle West derives essentially all of our revenues and earnings from our principal subsidiary, Arizona Public Service Company ("APS"). APS is a wholly owned, vertically integrated electric utility that provides either retail or wholesale electric service to most of Arizona. APS is also the operator and co-owner of the Palo Verde Generating Station – a primary source of carbon-free electricity for the Southwest and the largest nuclear power plant in the United States.

Our Strategy to Drive Value



The Core is our strategic framework. It sets forth the basis from which we operate by defining our vision, mission, critical areas of focus, and values. The framework affirms our corporate values of safety, integrity and trust, respect and inclusion, and accountability. This is the foundation from which our long-term strategy is built.

The Core ties together many critical components to ensure that we have a customer-focused culture and deliver operational excellence. Our ability to thrive and grow depends on the trust and goodwill of our customers and the communities we serve. We recruit and retain great people, and we empower them to be enthusiastic ambassadors for our customers. We respond to customer needs by developing new and innovative solutions to help them manage their own energy use. By pursuing this customer-centric culture, we create customer value that, in turn, builds shareholder value.

Strategic Priorities

The **Core** continues to serve as the foundation for all strategic and business initiatives. Our performance metrics reinforce our highest priorities, including operational excellence, financial strength and leveraging economic growth, in a tangible, measurable way.

Building on that foundation, the APS Business Plan is anchored by four pillars that align with industry trends shaping our future and the way we do business:



Clean

Build a clean energy future with our goal to deliver 100% clean, carbon-free energy to customers by 2050



Affordable

Deliver affordable energy for the benefit of the customers and communities we serve



Reliable

Safely and efficiently deliver reliable energy to meet the needs of our customers now and in the future



Customer Focused

Develop new and innovative solutions, products and services to meet the changing needs of our customers

2019 Business Highlights

Shareholder Value

Our management team is committed to increasing shareholder value as a top priority. One area where we underperformed compared to our historical track record was in total shareholder return, which combines stock price appreciation with dividends paid, at 9% for the year. Increased regulatory uncertainty impacted shareholder confidence. Our new focus on ensuring robust communication and collaboration with the ACC and other stakeholders has already put us on a more positive path forward. We believe we have the right strategy and team in place to meet your expectations for delivering consistent shareholder value.





2019 Financial and Operating Highlights

- PNW increased its dividend for the 8th consecutive year, by 6%
- APS continued successful operation of Palo Verde Generating Station, a nuclear energy facility that is the largest clean-air generator in the United States
- Maintained strong credit ratings from all three rating agencies

- Robust training and development opportunities for employees, including leadership academies, rotational programs, individual development plans, mentoring programs, industry certifications and loaned executive programs
- APS finished 2019 with its best ever historical SAIFI (System Average Interruption Frequency Index) reliability performance (excluding voluntary and proactive fire mitigation impacts) SAIFI is the average number of interruptions a customer experiences in a year

2019 Sustainability Highlights

- ✓ Total groundwater consumption was 22% below 2014 levels
- Pinnacle West was named to the Climate Change and Water Security "A Lists" by global environmental impact nonprofit CDP, the only U.S. electric utility and just 1 of 10 U.S. companies with A's in both categories
- Pinnacle West obtained an Environmental Sustainability and Governance "A" rating from Morgan Stanley Capital International ("MSCI") (as of June 25, 2019)

Recognition

- Honored by Public Lands Alliance with Corporate Stewardship Award for support of Grand Canyon Conservancy
- Earned Smart Electric
 Power Alliance's
 Innovative Partner of the
 Year with EnergyHub
 for Cool Rewards smart
 thermostat residential
 program
- Named to the annual ranking of the world's Top 100 Green Utilities by Energy Intelligence's El New Energy





Environmental Achievements

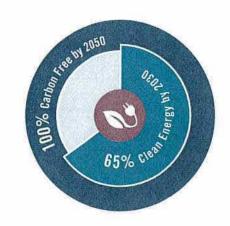
Through our clean energy plan we are committed to providing clean, reliable and affordable electricity in order to achieve a sustainable future for our Company and our customers.



Carbon Management

Effectively reducing our carbon intensity and deploying a diverse, increasingly cleaner energy mix is **good for our customers**, our communities and the environment.

- . 50% of our diverse energy mix is carbon free
- Commitment to provide 100% clean, carbon-free energy by 2050
- Goal to achieve a generation portfolio with 45% renewable energy by 2030
- Commitment to end our use of coal-fired generation by 2031





Energy Innovation

APS is in the midst of one of the greatest periods of change in our Company's 130-plus year history.

- 1,828 MW of renewable capacity today
- Plan to add at least 950 MW of clean energy technologies, including solar and storage, by 2025

Our 10 grid-scale solar plants are powered by more than 1 million solar panels





Reducing Water Consumption

Operating in the water-constrained Southwest desert, APS is challenged to maximize our use of water resources.

- 22% reduction in groundwater use since 2014
- 20 billion gallons of wastewater recycled each year to cool Palo Verde Generating Station

CONSERVATION OF NON-RENEWABLE WATER SUPPLIES

Decrease from 2014 baseline usage

10000000000000000000000000000000000000	
14%	22%
Goal	Actual
Goal	Actual



To learn more about our sustainability efforts, please see our Corporate Responsibility Report located on our website (www.pinnaclewest.com).

Human Capital Management

Our commitment to our employees is demonstrated through robust policies, practices and programs that attract and retain strong talent to the organization.



Focused on our People

We invest in programs for the attraction, retention and development of a diverse, highly skilled workforce:

Attraction

- Internship Programs: 61 summer interns in 2019, 61% of whom were diverse
- Apprentice Programs: 162
 apprentices in the programs,
 41 of whom joined in 2019
- Incoming Engineer Programs: New Engineers in Operations Program (Fossil); Legacy Engineer Program (Palo Verde); Rotational Engineer Program (Transmission and Distribution)
- Strong commitment to our communities: Our Company values and encourages active engagement by our employees in the community, which is attractive to new employees

Retention

- Robust employee engagement, including 10 Employee Network Groups (see inside back cover)
- Average employee tenure of 12 years due to strong talent strategy
- Total turnover for 2019 was 7.5% (3% of which were related to retirements)
- Competitive benefits, including:
 - · Retirement benefits
 - Parental leave
 - Disability and life insurance benefits
 - Available tuition assistance and employee discounts

Development

- Graduated 115 employees from our leadership academies in 2019
- 87% of officers, including our CEO, were promoted from leadership positions within the Company⁽¹⁾
- 96% of officer positions have "ready-now" replacements identified⁽²⁾
- 100% of director-level positions have "ready-now" replacements identified⁽²⁾
- A wide variety of training and development opportunities, including leadership academies, rotational programs, mentoring programs, industry certifications, and loaned executive programs
- External executive training programs for officers

As of March 12, 2020.

⁽²⁾ As of December 31, 2019.



Diversity and Inclusion

Our employee engagement is rooted in respect, diversity and inclusion:

Employee diversity:



- . 32% are ethnically or racially diverse
- · 24% are female
- 17% are veterans

New hires in 2019:



- 44% were ethnically or racially diverse
- 29% were female
- 17% were veterans



30% of all officers are female(1)

Received the Torch of Liberty award from the Arizona Anti-Defamation League in 2019 for our support of diversity and inclusion



APS signs UNITY Pledge supporting full inclusion and equality in employment, housing and public accommodations for all Arizonans, including the LGBTQ community



(1) As of March 12, 2020.



Safety and Security

At APS, a commitment to safety and security is fundamental to our business.

- Top quartile safety record for OSHA recordable injuries compared to peer electric utilities
- 35% decrease in lost work time due to OSHA recordable injuries in 2019 vs. 2018

Social Capital

We are committed to being a premier corporate citizen while serving Arizona's energy needs.

- Employees pledged \$2.4 million through our Company-sponsored charitable giving program. through which the Company provides a 50% match
- Contributed a total of \$9.8 million to our communities, with \$3 million invested in education
- Employees donated an estimated 90,000 volunteer hours to community organizations
- In May 2020, APS will be graduating its 22nd Diverse Supplier Training Program participants, including small and diverse business owners
- Spent approximately \$400 million with diverse suppliers
- APS linemen set 87 poles and ran 7.5 miles of electric lines, bringing electricity to families on the Navajo Nation for the first time

Governance Practices

Our strong corporate governance practices demonstrate the Board's commitment to enabling an effective structure to support the successful execution of our strategic priorities.

Board Independence

- Independent Lead Director role with clearly defined and robust responsibilities
- Ten of our eleven director nominees are independent and the members of all of the Board Committees are independent



Board Performance

- Annual Board, Committee and individual Director evaluations and discussions with the Lead Director
- · Director skills and experience necessary to provide oversight of our strategy and operations
- · Robust Board refreshment, with director retirement policy

Board Oversight

- Robust management succession planning
- · Board oversight of strategy and increased emphasis on environmental, social, and governance practices

Shareholder Rights

- · Reduced threshold to call a special meeting to 15%
- Annual elections of all directors with cumulative voting
- No poison pill plan or similar anti-takeover provision in place
- No supermajority provisions in our Articles of Incorporation or Bylaws
- Proxy access rights allowing up to 20 shareholders owning 3% of our outstanding stock for at least 3 years to nominate up to 25% of the Board



3%

3 years | 20 shareholders

Shareholder Engagement

We have an established shareholder engagement program to maintain a dialogue with our shareholders throughout the year. Each year we strive to respond to shareholder questions in a timely manner, conduct extensive proactive outreach to investors, and evaluate the information we provide to investors in an effort to continuously improve our engagement.

Shareholder Outreach



In 2019, we contacted the holders of approximately 50% of the shares outstanding.

Board Access

Our Board is focused on shareholder feedback. Our Lead Director and other members of the Board, depending on the topic to be discussed, have participated in shareholder discussions, providing shareholders with direct access to the Board.



MATTERS DISCUSSED IN OUR FALL 2019 OUTREACH

- Our strategy
- Our performance
- · Our carbon management
- Succession planning at the senior leadership level and Board refreshment
- Our people
- · Executive compensation
- Sustainability
- Shareholder rights

We Listen to our Shareholders

What our shareholders think is important to us and we want to ensure we have the opportunity to engage directly with our shareholders. We seek to maintain a transparent and productive dialogue with our shareholders. Each year we take feedback from our shareholders, ESG rating agencies and organizations, and other stakeholders to ensure our strategy and focus align with the interests of our shareholders and community.



BOARD RESPONSIVENESS

In response to feedback we've received, we improved shareholder rights by decreasing the number of shares required to call a special meeting of shareholders from 25% to 15%, refined our executive compensation program to further align pay-for-performance – as detailed in the CD&A – and we announced our bold aspiration to serve customers with 100% clean, carbon-free energy by 2050. In addition, we set an interim target to achieve 65% clean, carbon-free energy and 45% renewables by 2030.

Board Highlights



RICHARD P. FOX INDEPENDENT

Independent Consultant and former Managing Partner of Ernst & Young

Director since: 2014

Committees: (A) FE (F) III



JEFFREY B. GULDNER

Chairman of the Board, President & Chief Executive Officer of Pinnacle West and Chairman and CEO of APS

Age: 54

Director since: 2019 Committees: None



DENIS A. CORTESE, M.D. INDEPENDENT

Director, Health Care Delivery and Policy Program, Arizona State University, and Emeritus President and CEO of the Mayo Clinic

Age: 75

Committees: (A) (R) (III)



Female • • •





Mr. Lopez and Ms. Bryan are racially or ethnically diverse

are gender diverse:

Mses. Munro,

Bryan and Sims are women



independent director nominees

Race/Ethnicity

Other

Diverse 0





GLYNIS A. BRYAN INDEPENDENT Chief Financial Officer, Insight

Enterprises, Inc.

Age: 61

Director since: 2020 Committees: (A) (99)

INDEPENDENT

Managing Partner, Wagener

DAVID P. WAGENER

Capital Management

Director since: 2014

Committees: (A) (F) (6)

JAMES E. TREVATHAN, JR.

INDEPENDENT

Former Executive Vice President and Chief Operating Officer, Waste Management, Inc.

Age: 66

Director since: 2018 Committees: (R) (10)









DALE E. KLEIN, Ph.D. INDEPENDENT

Professor of Mechanical Engineering, University of Texas at Austin

Age: 72

Director since: 2010 Committees: (A) (10)



HUMBERTO S. LOPEZ

INDEPENDENT

Chairman of the Board, HSL Properties

Age: 74

Director since: 1995 Committees: (A) [] (R)

Tenure

0-5 years • • • • • 6-10 years 🔵 🔵 🔵 🔵

9.5 years

tenure

Independent Directors

Non-Independent

Since the adoption of our retirement policy, two independent Directors have retired and three new independent Directors have been elected

of our board will retire by the 2025 Annual Meeting of Shareholders

PAULA J. SIMS INDEPENDENT

Professor of Practice and Executive Coach, **UNC Kenan Flagler Business School**

Age: 58

Director since: 2016 Committees: (F) (10)



Committees:

A Audit

Human Resources

Corporate Governance



Nuclear and Operating

KATHRYN L. MUNRO LEAD DIRECTOR Principal, BridgeWest, LLC

Age: 71

Director since: 2000 Committees: DEF (F)



BRUCE J. NORDSTROM INDEPENDENT

Vice President and CPA, Nordstrom & Associates, P.C.

Age: 70

Director since: 2000 Committees: A FE @ 60



Finance

FE Financial Expert

DIRECTORS' KEY SKILLS AND EXPERIENCE

	SLYNIS A. BRYAN	DENIS A. CORTESE, M.D.	RICHARD P. FOX	JEFFREY B. GULDNER	DALE E. KLEIN, PH. D.	HUMBERTO S. LOPEZ	KATHRYN L. MUNRO	BRUCE J. NORDSTROM	PAULA J. SIMS	IAMES E. TREVATHAN, JR.	DAVID P. WAGENER
DIVERSITY		- Land		RINA MO	# A TO	2000					
Gender or Ethnicity	0					0	0		0		
FINANCE & ACCOUNTING		Paris de la composición del composición de la co	Manager 1988								
Audit Expertise			0			- Volume		0			
Finance/Capital Allocation	0	8				0			over majory.		0
Financial Literacy and Accounting	0	0	0		0	0	445	0		0	0
Investment Experience				LA		0	0	410			0
BUSINESS OPERATIONS AND STRATEGY		Kilimi-selli	*			5-m-10-m1-0-m1-0-					
Business Strategy			0	0				100000	0	0	0
Complex Operations Experience		0			0		28.7		0	0	
Corporate Governance	0						0	0			
Customer Perspectives		0	0			0		0			
Extensive Knowledge of Company's Business Environment				0		8	0	0			
LARGE ORGANIZATIONAL LEADERSHIP						primini i	Louis de lou	41			
CEO/Senior Leadership	0			0	0		0		0	0	
Public Board Service	0		0				0				0
Human Capital Management		0	0	0	0	0	0	0		8	
THE COMPANY'S INDUSTRY		2111	2011							*	
Nuclear Experience					0				0		
Utility Industry Experience			John Market	0	0		1000		8		0
PUBLIC POLICY AND REGULATORY COMPLIANCE						annana any an					
Government/Public Policy/Regulatory	0	0		0	0				8	0	
RISK OVERSIGHT AND RISK MANAGEMENT			·	Parameter 1	i _g m		ý	· · · · · ·			ļ <u>.</u>
Risk Oversight and Risk Management	0	0	0	0		0	0	0	0	0	0



NEW SKILLS ADDED TO THE BOARD

Since the adoption of our Director Retirement Policy in 2016, we have added three independent Directors, bringing integral skills to the Board through utility industry experience, executive level operations experience, and finance, audit and accounting experience, including:

- Business Strategy
- Finance/Capital Allocation
- Financial Literacy and Accounting
- Complex Operations Experience
- Corporate Governance
- CEO/Senior Leadership Experience

- · Government, Public Policy and Regulatory
- Human Capital Management
- Nuclear Experience
- Public Board Service
- · Risk Oversight and Risk Management
- Utility Industry Experience

Executive Compensation Program

Our compensation program is designed to be transparent with a clear emphasis on putting pay at risk and retaining key executives. Our executive compensation philosophy centers on the core objectives of maintaining alignment with shareholder interests and retaining key management.

Our incentive program structure and metrics are **designed to drive sustained value creation** for shareholders, with incentive compensation tied to the Company's TSR, earnings, and the achievement of measurable and sustainable business and individual goals. See the CD&A on page 49 for further details.

Pay Element(1)			Performance Link		
Annual B	ase Salary	Fixed cash compensation			
Annual In	centives	At risk cash compensation	Earnings Former CEO: 62.5% Current CEO & Other NEOs(2): 50.0%		
1		Measurement Period: 1 year	Business Unit Performance Former CEO: 37.5% Current CEO & Other NEOs ⁽²⁾ : 50.0%		
Long-Term Incentives		At risk equity compensation Measurement Period: 3 years	Relative TSR 50% Relative Operational Performance		
- 70%) - 30%	Performance Shares Restricted Stock Units ("RSU")	Measurement Period: Vest ratably over 4 years	Stock Price		

The respective pay element percentages are inclusive of the former and current CEOs and the other NEOs.

Named Executive Officers ("NEO") identified on page 49, excluding the CEOs.

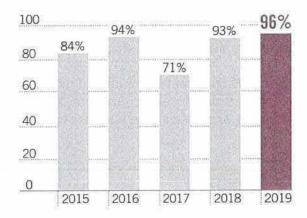


⁽I) Excludes 2017 CEO Performance-Contingent Award (defined on page 55).

Mr. Smith's 2019 annual awards were 60% Performance Shares and 40% RSUs.

Historical Say-on-Pay Results

Our Board is focused on shareholder feedback, including with respect to our compensation program. While we have historically had strong support for our program, after a disappointing say-on-pay vote result in 2017, significant changes were made in direct response to our shareholder outreach and feedback provided to the Board, resulting in a "for" vote of 93.1% in 2018. Further changes were made in 2019 strengthening our program, resulting in a "for" vote of 95.6%.



Executive Compensation Enhancements

We are committed to actively engaging with our shareholders and to make changes to our compensation program to ensure that it represents our strong commitment to our pay-for-performance philosophy. Over the past several years, we have undertaken the following enhancements:

Enhanced Rigor of Performance-Based Plans

 Starting in 2020, TSR-based performance shares for the CEO and Executive Vice Presidents will require relative outperformance for target vesting (will vest at target only if three-year relative TSR performance equals or exceeds 55th percentile (up from 50th percentile))

Increased Percentage of At-Risk Compensation

 Since 2016, performance shares for our CEO and Executive Vice Presidents have increased from 55% of long-term incentive to 70% of long-term incentive

Streamlined Executive Incentive Plans

- Discontinued use of separate CEO incentive plan to simplify reporting and improve alignment across the executive team
- Lowered CEO target amount to 110% of base salary from previous midpoint of 125%

Adopted Clawback Provisions

 Adopted a formal clawback policy covering short- and long-term incentive awards beginning in 2018, with separate clawback provisions added to performance shares and annual incentive plan awards in 2016

INFORMATION ABOUT OUR BOARD AND CORPORATE GOVERNANCE

Director Nomination Process

Director Qualifications

The Bylaws and the Corporate Governance Guidelines contain Board membership criteria that apply to nominees recommended for a position on the Board. Under the Bylaws, a director must be a shareholder of the Company. The Corporate Governance Committee is responsible for identifying and recommending to the Board individuals qualified to become Directors. The Board believes that its membership should be composed of a combination of knowledge, skills, and experience in the areas discussed below.

SKILLS AND EXPERIENCE POSSESSED BY OUR BOARD AS A GROUP

FINANCE AND ACCOUNTING

As a publicly traded company subject to the rules of the Securities and Exchange Commission ("SEC") and the New York Stock Exchange ("NYSE"), and because we operate in a complex financial environment and are regulated by multiple regulators, we require strong financial, accounting and capital allocation skills and experience.

Audit Expertise	2/11
Finance/Capital Alloca	ation 4/11
Financial Literacy/Acc	
THE PROPERTY OF THE PARTY OF TH	8/11
Investment Experienc	е
0年。秦军告	3/11

BUSINESS OPERATIONS AND STRATEGY

As a large organization with complex operations, our Board must have a comprehensive combination of skills and experience in business operations and strategy in order to guide the development of our near- and long-term operational and strategic goals, which requires knowledge about the Company, our business environment and our customers' perspectives.

Business Strategy	5/11
Complex Operations Exp	erience
Security of the Security of th	4/11
Corporate Governance	
	3/11
Customer Perspectives	
	4/11
Extensive Knowledge of (Company's
Business Environment	
學別學與	4/11

INFORMATION ABOUT OUR BOARD AND CORPORATE GOVERNANCE

LARGE ORGANIZATIONAL LEADERSHIP

Leadership experience in a large organization, at both the management and director level, provides directors with the ability to effectively oversee management in setting, implementing and evaluating the Company's strategic objectives as well as providing invaluable experience in developing, implementing and maintaining the policies and practices for managing an effective workforce.



THE COMPANY'S INDUSTRY

Possessing an understanding of both the utility industry and the nuclear industry is important to understanding the challenges we face as we develop and implement our business strategy.



PUBLIC POLICY AND REGULATORY COMPLIANCE

Operating in the heavily regulated utility industry, we are directly affected by public policy and the actions of various federal, state and local governmental agencies.



RISK OVERSIGHT AND RISK MANAGEMENT

Operations in our industry require the development of policies and procedures that allow for the oversight of and effectively manage risk.



The Board believes that diversity, utilizing a broad meaning that includes race, gender, background, ethnicity, accomplishments, and other traits, is an important consideration in selecting candidates. We require our outside director search firm to make diversity a focal point of any of our searches, with an emphasis on women candidates. Additionally, each Director should possess the following core characteristics:

High Standards	We look for individuals that set high standards and expectations for themselves and others and the accomplishment of those standards and expectations.
Informed Judgment	Directors should be thoughtful in their deliberations. We look for individuals who demonstrate intelligence, wisdom and thoughtfulness in decision-making. Their decision-making process should include a willingness to thoroughly discuss issues, ask questions, express reservations and voice dissent.
Integrity and Accountability	Directors should act with integrity. We look for individuals who have integrity and strength of character in their personal and professional dealings. Our Directors should be prepared to be, and are, held accountable for their decisions.
Time and Effort	Directors should spend the necessary time to properly discharge their responsibilities as directors, including reviewing written materials provided to the Board or committee in advance of Board or committee meetings. Directors are expected to be present at all Board meetings, the Annual Meeting of Shareholders, and meetings of committees on which they serve. We also expect our Directors to make themselves accessible to management upon request.
Other Commitments	We expect our Directors to monitor their other commitments to ensure that these other commitments do not impact their service to our Company. Directors may not serve on more than three other boards of public companies in addition to the Pinnacle West Board without the prior approval of the Corporate Governance Committee. A director may not serve as a member of the Audit Committee if he or she serves on the audit committees of more than three public companies (including the Company) unless the Board determines that such simultaneous service would not impair the ability of such member to effectively serve on the Company's Audit Committee.
Stock Ownership	We expect our Directors to have investments in the Company's stock that align with our shareholders. Our Directors are expected to comply with our Director Stock Ownership Policy.

Selection of Nominees for the Board

The Corporate Governance Committee uses a variety of methods to identify and evaluate nominees for a director position:

Board Size:

The Corporate Governance Committee regularly assesses the appropriate size of the Board, including whether any vacancies on the Board are expected due to retirement or otherwise.

Board Knowledge, Skills, Expertise and Diversity:

The Corporate Governance Committee considers whether the Board reflects the appropriate balance of knowledge, skills, expertise, and diversity required for the Board as a whole.

Sourcing Candidates:

Candidates may be considered at any point during the year and come to the attention of the Corporate Governance Committee through current Board members, professional search firms or shareholders. The Corporate Governance Committee evaluates all nominees from these sources against the same criteria.

Other than Ms. Bryan, all Directors were elected at the 2019 Annual Meeting of Shareholders. In recruiting Ms. Bryan, the Corporate Governance Committee retained the search firm of Spencer Stuart to help identify director prospects, perform candidate outreach, assist in reference and background checks, and provide related services. Candidates who passed the initial screening were then interviewed by members of the Corporate Governance Committee, Messrs. Brandt and Guldner, followed by the full Board. The Corporate Governance Committee recommended Ms. Bryan for Board membership, and she was added to the Board in February 2020.

SHAREHOLDER RECOMMENDATION OF BOARD CANDIDATES FOR THE 2020 ANNUAL MEETING

Shareholder nominations for a director to the Board must be received by the Corporate Secretary at the address set forth below by November 20, 2020 ("Shareholder Nomination"):

Corporate Secretary
Pinnacle West Capital Corporation
400 North Fifth Street, Mail Station 8602
Phoenix, Arizona 85004

PROXY ACCESS

In February 2017, our Board amended the Bylaws to provide, among other things, that under certain circumstances a shareholder or group of shareholders may include director candidates that they have nominated in our annual meeting proxy statement — "proxy access". Under these provisions, a shareholder or group of up to 20 shareholders seeking to include director nominees in our annual meeting proxy statement must own 3% or more of our outstanding common stock continuously for at least the previous three years. Generally, the number of qualifying shareholder-nominated candidates the Company will include in its annual meeting proxy materials will be limited to the greater of 25% of the Board or two candidates. Based on the current Board size of 12 directors, the maximum number of proxy access candidates we would be required to include in our proxy materials is three.

Nominees submitted under the proxy access provisions that are later withdrawn or are included in the proxy materials as Board-nominated candidates will be counted in determining whether the 25% maximum has been reached. If the number of shareholder-nominated candidates exceeds 25%, each nominating shareholder or group of shareholders may select one nominee for inclusion in our proxy materials until the maximum number is met. The order of selection would be determined by the amount (largest to smallest) of shares of our common stock held by each nominating shareholder or group of shareholders. Requests to include shareholder-nominated candidates under proxy access must be received by our Corporate Secretary at the address set forth above not earlier than the close of business on November 7, 2020 nor later than the close of business on December 7, 2020. The number of qualifying shareholder-nominated candidates the Company will include in its proxy materials under proxy access will be reduced on a one-for-one basis in the event the Company receives a Shareholder Nomination, but at least one qualifying shareholder-nominated proxy access nominee will be included in the proxy materials.

In all cases, shareholders and nominees must also comply with the applicable rules of the SEC and the applicable sections of our Bylaws relating to qualifications of nominees and nominating shareholders and disclosure requirements.

Board Effectiveness

Board Refreshment Planning

Our Board has developed a robust plan to refresh the Board and its leadership significantly over the next several years and beyond. The plan is designed to continue to provide for a well-qualified, diverse and highly independent Board, with the requisite experience and skills to provide effective oversight. This plan includes the identification of the current key skills and experience possessed by our members. A matrix of current key skills and experience possessed by our Board is on page 12. The identification of these skills and experiences, combined with a comprehensive Board evaluation process, provide visibility into the skills and experience leaving our Board in the future and allows for the identification of additional skills, experience or expertise needed to facilitate the Company's long-term strategy. This information is taken into account when identifying director nominees during the recruitment process.

Board refreshment is overseen by the Corporate Governance Committee, which regularly assesses whether the composition of the Board reflects the knowledge, skills, expertise, and diversity appropriate to serve the needs of the Company.

Director Retirement Policy

Under the Company's Corporate Governance Guidelines, an individual was not eligible to be nominated for election or re-election as a member of the Board of the Company or APS if, at the time of the nomination, the individual has attained the age of 75 years. In February 2020, we reevaluated our Director Retirement Policy. The policy as drafted could result in long tenure solely by virtue of the person's age when he or she joined the Board. As such, we amended the policy to add a 12-year term limit in addition to an age limit. The new policy provides that a non-employee Director will not be eligible to be nominated for election or re-election as a member of the Board if, as of the commencement of the term for which they are nominated, such Director will have (i) completed 12 years of service from the date of first election to the Board or (ii) attained 75 years of age. We also added a provision that will allow the Board, if it determines that it is in the best interest of the Company to do so, to extend such term limit to up to 15 years for a particular nominee, so long as the average tenure of the overall Board is less than 10 years. We believe this combination of both a term and age limit creates the most robust and effective policy.

We were also concerned about the turn-over rate of the Board members under the age-only policy in light of the Company having a newly appointed CEO. Under the age only policy, we would experience multiple years with more than one member scheduled to retire. We believe that it is in the best interests of the Company to better stagger these retirements while Jeff gets more experience in the CEO role. As such, we created a transition period that slowed the immediate turn-over rate, but provided a bridge to the final policy. Through and until the 2024 Annual Meeting of Shareholders, a non-employee Director shall be eligible for nomination for election or re-election as a member of the Board unless, as of the commencement of the term for which they are nominated, such Director will have completed 12 years of service from the date of first election to the Board and the individual has attained 75 years of age. During both the transition period and the time covered by the final policy, the policies will apply regardless of the source of the nomination or whether the nomination was made at a meeting of the Board of Directors, at an Annual Meeting or otherwise.



O 2016 • Paula J. Sims added

2018 • Roy A. Herberger, Jr. retired

2018 • James E. Trevathan added

2020 • Glynis A. Bryan added

May • Michael L. Gallagher retired 2020

20% of our Board has been refreshed

Since the adoption of our Director Retirement Policy, three independent Directors have been added and two members of the Board will have retired as of May 20, 2020. Under our current policy, over 50% of our current Board will retire by the 2025 Annual Meeting of Shareholders.

Average tenure decreased by 22% since 2016

Our average tenure decreased from 12.2 years as of May 2016 to 9.5 years as of May 2020.

OUR BOARD EVALUATION PROCESS

1 Board Evaluation

Each Director completes a comprehensive evaluation of Board and Committee performance

Reviewed on a one-year standalone basis and three-year basis to identify year-over-year trends Topics covered include, among others:

- · Board composition and effectiveness
- · Competency and accountability
- · Deliberations and administration
- Committee effectiveness
- Specific skills, experience and expertise recommended by Directors to be added or enhanced

Director Self-Evaluation

Each Director evaluates different areas of his or her performance as a Director

Topics covered include, among others:

- Independence
- Knowledge and expertise
- Judgment and skills
- · Participation and contribution to collective decision-making

One-on-One Discussions

Conducted by Lead Director, who initially reviews the assessment results, in a formal annual call

The Lead Director is prepared to have hard conversations, if necessary, to keep the Board, and each individual Director, functioning at a high level

Topics covered include, among others:

- The Board, its functions and membership
- · Board and Committee structure
- · Processes for effective communication and feedback
- Director's plan with respect to continuing Board service
- · Any other topic the individual Director desires to discuss

Evaluation Results

The results of the evaluations and calls are presented to the Corporate Governance Committee and full Board each February

Feedback Incorporated

Based on the evaluation results, changes in practices or procedures are considered and implemented as needed

This process provides the Board the ability to assess the overall functioning of the Board as a whole, and identify any skills, experience or expertise needed to continue to provide effective oversight of the Company's long-term strategy. This process also allows the Board to identify any areas of concern, both with respect to the Board overall and with respect to individual performance. As performance issues are identified, they are addressed by the Lead Director and the Chairman as needed.

Director Onboarding

Upon election to the Board, all new Directors attend a Director orientation program tailored to each Director based on their past individual experience. After Mr. Trevathan was elected to the Board, he received detailed information and materials about our Company, business and operations. He attended an orientation that took place over several days and included meetings with management from multiple business units, presentations on topics of significance to the Company and our industry, and site visits to our Deer Valley customer service and operations facility as well as the Palo Verde Generating Station. A similar orientation is in process for Ms. Bryan.

Director Education

Directors are provided with continuing education opportunities both within the Company and externally. In addition to the Company-hosted educational opportunities provided, Directors are invited to attend Palo Verde Off-Site Safety Review Committee meetings that typically occur three times per year, site visits to a number of our plants and other facilities are arranged, and Directors are encouraged to attend a variety of industry and public board-related symposia and conferences throughout the year. Additionally, Directors are permitted to participate in other educational opportunities relevant to the Company and submit such record of attendance for credit in our program.

Director Resignation Policies



We employ a plurality voting standard with a director resignation policy because we believe a majority voting policy is inconsistent with cumulative voting, which is mandated by the Arizona Constitution.

With respect to the election of directors, the Company's Bylaws provide that in an uncontested election, a director nominee who receives a greater number of votes cast "withheld" for his or her election than "for" such election will promptly tender his or her resignation to the Corporate Governance Committee. The Corporate Governance Committee is required to evaluate the resignation, taking into account the best interests of the Company and its shareholders, and will recommend to the Board whether to accept or reject the resignation.

Under the Company's Corporate Governance Guidelines, upon a substantial change in a director's primary business position from the position the director held when originally elected to the Board, a director is required to apprise the Corporate Governance Committee and to offer his or her resignation for consideration to the Corporate Governance Committee. The Corporate Governance Committee will recommend to the Board the action, if any, to be taken with respect to the tendered resignation.

Board and Committee Structure

The Board's Leadership Structure

LEAD DIRECTOR

Kathryn L. Munro serves as the Company's Lead Director and chairs the Corporate Governance Committee. The Lead Director performs the following duties and responsibilities as set forth in our Corporate Governance Guidelines:

- Serves as a liaison between the Chairman of the Board (the "Chairman") and the independent Directors;
- Advises the Chairman as to an appropriate schedule of Board meetings, reviews and provides the Chairman with input regarding agendas for the Board meetings and, as appropriate or as requested, reviews and provides the Chairman with input regarding information sent to the Board;

- Presides at all meetings at which the Chairman is not present, including executive sessions of the independent Directors (which are regularly scheduled as part of each Board meeting) and calls meetings of the independent Directors when necessary and appropriate;
- Oversees the Board and Board committee self-assessment process;
- Is available for appropriate consultation and direct communication with the Company's shareholders and other interested parties; and
- Performs such other duties as the Board may from time to time delegate.

These duties and responsibilities do not, however, fully capture Ms. Munro's active role in serving as our Lead Director. For example, Ms. Munro has regular discussions with the CEO, other members of the senior management team and members of the Board between Board meetings on a variety of topics, and she serves as a liaison between the CEO and the independent Directors. Ms. Munro focuses the Board on key issues facing our Company and on topics of interest to the Board. She takes the lead on director recruitment and has a formal annual call with each non-employee Director to discuss the Board, its functions, its membership, the individual's plan with respect to his or her continuing Board service, and any other topic the individual desires to discuss with our Lead Director. Her leadership fosters a Board culture of open discussion and deliberation to support sound decision-making. She also encourages communication between management and the Board to facilitate productive working relationships.

As a former chief executive with significant Board and Chair/Lead Director experience, Ms. Munro has the competency and capability to fulfill the duties of Lead Director. As Lead Director, Ms. Munro is poised to guide the Board during these transformative times of both Board refreshment as well as CEO and other management succession.

CHAIRMAN AND CEO POSITIONS

Upon promoting Jeff Guldner to the position of CEO, the Board also chose to elect him as Chairman of the Board. The Board believes that the Company is in a better position to implement its near- and long-term strategies if the Chairman is also the person directly responsible for the operations executing those strategies. The Board further believes that separating the roles of the CEO and Chairman and appointing an independent Board Chairman at this time would create an additional level of unneeded hierarchy that would only duplicate the activities already being vigorously carried out by our Lead Director.

The independent Directors believe that Mr. Guldner, with his extensive knowledge of the challenges facing the Company and our industry and his open leadership style, will be a highly effective conduit between the Board and management and that Mr. Guldner provides the vision and leadership to execute on the Company's strategy and create shareholder value without the need for an independent chair. The Board also convenes regularly scheduled executive sessions of the independent directors in order to ensure the independent directors can speak candidly and openly without the presence of management.

Board Committees

The Board has the following standing committees: Audit; Corporate Governance; Finance; Human Resources; and Nuclear and Operating. All of the charters of the Board's committees are publicly available on the Company's website (www.pinnaclewest.com). All of our committees conduct a formal review of their charters every other year and as often as any committee member deems necessary. In the years in which a formal review is not conducted, the Board has tasked management with reviewing the

INFORMATION ABOUT OUR BOARD AND CORPORATE GOVERNANCE

charters and recommending any changes management deems necessary or reflective of good corporate governance. The charters are also changed as needed to comply with any corresponding changes to any applicable rule or regulation.

All of our committees are comprised of independent Directors who meet the independence requirements of the NYSE rules, SEC rules, and the Company's Director Independence Standards, including any specific committee independence requirements. The duties and responsibilities of our committees are as follows:

Audit Committee

"The audit function is critical to sound risk and financial management, and the members of the Audit Committee are committed to carrying out fully our duties to the Company and our shareholders."

-Bruce Nordstrom

2019 MEETINGS: 6

COMMITTEE MEMBERS:

Bruce J. Nordstrom, Chair

Glynis A. Bryan
Denis A. Cortese
Richard P. Fox
Dale E. Klein
Humberto S. Lopez
David P. Wagener



KEY MEMBER SKILLS

2/7 Audit Expertise

4/7 Finance/Capital Allocation

7/7 Financial Literacy/Accounting

5/7 Risk Oversight and Risk Management

RESPONSIBILITIES:

The Audit Committee:

- Oversees the integrity of the Company's financial statements and internal controls;
- Appoints the independent accountants and is responsible for their qualifications, independence, performance (including resolution of disagreements between the independent accountants and management regarding financial reporting), and compensation;
- Participates in the selection of the independent accountants' new lead engagement partner each time a mandatory rotation occurs;
- Monitors the Company's compliance with legal and regulatory requirements;
- Sets policies for hiring employees or former employees of the independent accountants;
- Reviews the annual audited financial statements or quarterly financial statements, as applicable, and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained therein;
- Discusses with management and the independent accountants significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements;
- Reviews the Company's draft earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;
- Discusses guidelines and policies to govern the process by which
 risk assessment and risk management is undertaken across
 the Company and discusses the Company's major financial risk
 exposures and the steps management has taken to monitor and
 control such exposures, and periodically reviews principal risks
 related to the Company's financial statements, audit functions, or
 other matters addressed by the Audit Committee; and
- Reviews management's monitoring of the Company's compliance with the Company's Code of Ethics and Business Practices.

The Board has determined that each member of the Audit Committee meets the NYSE experience requirements and that Mr. Nordstrom, the Chair of the Audit Committee, and Mr. Fox are "audit committee financial experts" under applicable SEC rules. None of the members of our Audit Committee, other than Mr. Fox, currently serve on more than three public company audit committees. Mr. Fox currently serves on the audit committees of four public companies, including Pinnacle West. Our Board has discussed with Mr. Fox the time and effort required to be devoted by Mr. Fox to his service on these committees and has affirmatively determined that such services do not impair Mr. Fox's ability to serve as an effective member of our Audit Committee.

- Actively engaged, with a questioning attitude, in reviewing the annual audited financial statements and quarterly financial statements provided to shareholders.
- Engaged with the independent accountant to ensure a smooth transition to a new lead engagement partner.
- Recommended the Board approve amendments to the Audit Committee Charter strengthening oversight of the Audit Services Department's functions.

Corporate Governance Committee

"The Corporate Governance Committee is focused on effective and accountable governance practices in order to maximize the long-term value of the Company for its shareholders."

-Kathy Munro

2019 MEETINGS: 5

COMMITTEE MEMBERS:

Kathryn L. Munro, Chair Michael L. Gallagher Bruce J. Nordstrom



KEY MEMBER SKILLS

3/3 Corporate Governance

- 3/3 Extensive Knowledge of the Company's Business Environment
- 3/3 Human Capital Management
- 2/3 Public Board Service

RESPONSIBILITIES:

The Corporate Governance Committee:

- · Reviews and assesses the Corporate Governance Guidelines;
- Develops and recommends to the Board criteria for selecting new directors;
- Identifies and evaluates individuals qualified to become members of the Board, consistent with the criteria for selecting new directors;
- · Recommends director nominees to the Board;
- Recommends to the Board who should serve on each of the Board's committees;
- · Reviews the results of the Annual Meeting shareholder votes;
- Reviews and makes recommendations to the Board regarding the selection of the CEO and CEO and senior management succession planning;
- Reviews the Company's Code of Ethics and Business Practices for compliance with applicable law;
- Recommends a process for responding to communications to the Board by shareholders and other interested parties;
- Reviews the independence of members of the Board and approves or ratifies certain types of related-party transactions;
- Reviews and makes recommendations to the Board regarding shareholder proposals requested for inclusion in the Company's proxy materials;
- Reviews and makes recommendations regarding proxy material disclosures related to the Company's corporate governance policies and practices;
- Periodically reviews principal risks relating to the Company's corporate governance policies and practices or other matters addressed by the Corporate Governance Committee;
- Oversees the Board and committee self-assessments on at least an annual basis; and
- Reviews and assesses the Company's Political Participation Policy, and then reviews the Company's policies and practices with respect to governmental affairs strategy and political activities in accordance with the Company's Political Participation Policy.

The Corporate Governance Committee periodically reviews and recommends to the Board amendments to the Corporate Governance Guidelines and the Political Participation Policy. The Corporate Governance Guidelines and the Political Participation Policy are available on the Company's website (www.pinnaclewest.com).

- Recommended the Board amend the Bylaws to reduced stock ownership threshold to call a special meeting to 15%.
- Conducted an active succession planning process with the retirement of Donald E. Brandt and the election
 of Jeffrey B. Guldner as Chairman of the Board, CEO and President of the Company and Chairman of the
 Board and CEO of APS.
- Recommended Glynis A. Bryan for election to the Board in February 2020.

Finance Committee

"The Finance Committee plays a key role in ensuring the financial health of the Company by providing oversight of the Company's financial performance, financing strategy and dividend policies and actions."

-Bert Lopez

2019 MEETINGS: 4

COMMITTEE MEMBERS:

Humberto S. Lopez, Chair

Richard P. Fox Kathryn L. Munro Paula J. Sims David P. Wagener



KEY MEMBER SKILLS

1/5 Audit Expertise

2/5 Finance/Capital Allocation

3/5 Financial Literacy/Accounting

3/5 Investment Experience

RESPONSIBILITIES:

The Finance Committee:

- Reviews the historical and projected financial performance of the Company and its subsidiaries;
- Reviews the Company's financial condition, including sources of liquidity, cash flows and levels of indebtedness;
- Reviews and recommends approval of corporate short-term investment and borrowing policies;
- Reviews the Company's financing plan and recommends to the Board approval of the issuance of long-term debt, capital and/ or financing leases or other arrangements incorporating the effective intent or purpose of providing any form of financing, common equity and preferred securities, and the establishment of credit facilities:
- Reviews the Company's use of guarantees and other forms of credit support;
- Reviews and monitors the Company's dividend policies and proposed dividend actions;
- Establishes and selects the members of the Company's Investment Management Committee to oversee the investment programs of the Company's trusts and benefit plans;
- Reviews and discusses with management the Company's process for allocating and managing capital;
- Reviews and recommends approval of the Company's annual capital budget;
- Reviews the Company's annual operations and maintenance budget and monitors throughout the year how the Company's actual spend tracks to the budget;
- · Reviews the Company's insurance programs; and
- Periodically reviews principal risks relating to the Company's policies and practices concerning budgeting, financing credit exposures, or other matters addressed by the Finance Committee.

- Reviewed and recommended Board approval of the 2019 capital budget of \$1.2B and the 2020 capital budget of \$1.3B.
- Reviewed and recommended Board approval of the issuance of \$1B in long-term debt at APS.
- Recommended the Board increase the dividend and declare the payment of the dividend quarterly.

Human Resources Committee

"After a deliberate, years-long management succession process, we are confident that we have elected a CEO and management team that will effectively move the Company forward."

-Rick Fox

2019 MEETINGS: 8

COMMITTEE MEMBERS:

Richard P. Fox, Chair Denis A. Cortese Humberto S. Lopez Kathryn L. Munro James E. Trevathan, Jr.



KEY MEMBER SKILLS

2/5 CEO/Senior Leadership Experience

2/5 Extensive Knowledge of the Company's Business Environment

2/5 Business Strategy

5/5 Human Capital Management

2/5 Public Board Service

RESPONSIBILITIES:

The Human Resources Committee:

- Reviews management's programs for the attraction, retention, succession, motivation and development of the Company's human resources needed to achieve corporate objectives;
- · Establishes the Company's executive compensation philosophy;
- · Recommends to the Board persons for election as officers;
- Annually reviews the goals and performance of the officers of the Company and APS;
- Approves corporate goals and objectives relevant to the compensation of the CEO, assesses the CEO's performance in light of these goals and objectives, and sets the CEO's compensation based on this assessment;
- Makes recommendations to the Board with respect to non-CEO executive compensation and director compensation;
- Acts as the "committee" under the Company's long-term incentive plans;
- Reviews and discusses with management the Compensation Discussion and Analysis on executive compensation set forth in our proxy statements;
- Reviews the number, type, and design of the Company's pension, health, welfare and benefit plans;
- Periodically reviews principal risks relating to the Company's compensation and human resources policies and practices or other matters addressed by the Human Resources Committee; and
- Periodically reviews the Company's compensation policies and practices applicable to executive and non-executive employees to identify and assess potential material risks arising from the policies and practices.
- Under the Human Resources Committee's charter, the Human Resources Committee may delegate authority to subcommittees, but did not do so in 2019. Additional information on the processes and procedures of the Human Resources Committee is provided under the heading "Compensation Discussion and Analysis ("CD&A")".

- Recommended the election by the Board of Jeffrey B. Guldner as the Company's Chairman of the Board, President and CEO and Chairman of the Board and CEO of APS, as part of a years-long succession planning process.
- Recommended additional succession planning appointments, including the election of Maria L. Lacal as Chief Nuclear Officer of APS, Daniel T. Froetscher as President and Chief Operating Officer of APS, and Theodore N. Geisler as the new Chief Financial Officer of the Company and APS.
- Recommended the Board increase the stock ownership requirement for the Board of Directors to five times the annual retainer fee.

Nuclear and Operating Committee

"In managing the oversight of the Company's overall operations, the N&O Committee takes accountability for ensuring that operations are performed in an efficient, safe, and secure manner. Cyber and physical security are key focus areas of the committee."

-Mike Gallagher

2019 MEETINGS: 4

COMMITTEE MEMBERS:

Michael L. Gallagher, Chair

Glynis A. Bryan Denis A. Cortese Dale E. Klein Bruce J. Nordstrom Paula J. Sims James E. Trevathan, Jr. David P. Wagener



KEY MEMBER SKILLS

- 4/8 Complex Operations Experience
- 2/8 Extensive Knowledge of the Company's Business Environment
- 5/8 Government/Public Policy/Regulatory
- 2/8 Nuclear Experience
- 5/8 Risk Oversight and Risk Management
- 3/8 Utility Industry Experience

RESPONSIBILITIES:

The Nuclear and Operating Committee:

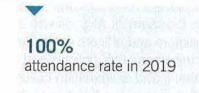
- Receives regular reports from management and monitors the overall performance of Palo Verde Generating Station;
- Reviews the results of major Palo Verde inspections and evaluations by external oversight groups, such as the Institute of Nuclear Power Operations ("INPO") and the Nuclear Regulatory Commission ("NRC");
- Monitors overall performance of the principal non-nuclear business functions of the Company and APS, including fossil energy generation, energy transmission and delivery, customer service, fuel supply and transportation, safety, legal compliance, and any significant incidents or events;
- Reviews regular reports from management concerning the environmental, health and safety ("EH&S") policies and practices of the Company, and monitors compliance by the Company with such policies and applicable laws and regulations;
- Reviews APS's planning for generation resources additions and significant expansions of its bulk transmission system;
- Periodically reviews principal risks related to the Company's nuclear, fossil generation, transmission and distribution, EH&S operations, or other matters addressed by the Nuclear and Operating Committee;
- Receives reports on the Company's sustainability initiatives and strategy; and
- Provides oversight of security policies, programs and controls for protection of cyber and physical assets.
- In addition, the Nuclear and Operating Committee receives regular reports from the Off–Site Safety Review Committee (the "OSRC"). The OSRC provides independent assessments of the safe and reliable operations of Palo Verde. The OSRC is comprised of non-employee individuals with senior management experience in the nuclear industry and the Palo Verde Director of Nuclear Assurance.

RECENT ACTIVITIES AND KEY FOCUS AREAS

- Reviewed with management the preparedness of our operations to meet the needs of our customers during the summer monsoon season.
- Reviewed the operational status and outage performance of the Palo Verde Generating Station.
- Reviewed the Company's and APS's safety performance and safety messaging to employees.

Board Meetings and Attendance

In 2019, our Board held eight meetings and each of our Directors attended 100% of the Board meetings and any meetings of Board committees on which he or she served. Each Director is expected to participate in the Annual Meeting. All Board members attended the 2019 Annual Meeting.



Board Oversight and Engagement

Strategic Framework

The Core serves as the foundation for all strategic and business initiatives. It is anchored by four pillars that establish the foundation for the way we intend to do business: Clean, Affordable, Reliable and Customer Focused.

Our Board reviews the strategic business plan annually and oversees the implementation of that strategy, receiving regular reports from management on progress and any changes throughout the year. The Board, through the Human Resources Committee, is also involved in setting the annual performance metrics, which are aligned with the strategic plan and designed to incentivize achievement of the strategic goals.

CORE

The Company and APS have adopted Core, which is a strategic framework that sets forth the foundation from which we operate. It defines our vision, mission, critical areas of focus, and values. APS's vision is to create a sustainable energy future for Arizona. APS's mission is to safely and efficiently deliver reliable energy to meet the changing needs of our customers. The critical areas of focus are employees, operational excellence, security, environment, customer value, community, and shareholder value. The framework affirms our corporate values of safety, integrity and trust, respect and inclusion, and accountability. Here is our Core:



The Core is our strategic framework. This is the foundation from which our long-term strategy is built.

The Core ties together many critical components to ensure that we have a customer-focused culture and deliver operational excellence. Our ability to thrive and grow as a company depends on the trust and goodwill of our customers and the communities we serve. We recruit and retain great people, and we empower them to be enthusiastic ambassadors for our customers. We respond to customer needs by developing new and innovative solutions to help them manage their own energy use. By pursuing this customer-centric culture, we create customer value that, in turn, builds shareholder value.

Codes of Ethics

To ensure the highest levels of business ethics, the Board has adopted the Code of Ethics and Business Practices, which applies to all employees, officers and directors, and the Code of Ethics for Financial Executives, both of which are described below:

CODE OF ETHICS AND BUSINESS PRACTICES ("CODE OF ETHICS")

Employees, directors and officers receive access to and training on the Code of Ethics when they join the Company or APS, as well as annual updates. The Code of Ethics helps ensure that employees, directors and officers of the Company and APS act with integrity and avoid any real or perceived violation of the Company's policies and applicable laws and regulations. The Company provides annual online training and examination covering the principles in the Code of Ethics. This training includes extensive discussion of the Company's values, an explanation of Company ethical standards, application of ethical standards in typical workplace scenarios, information on reporting concerns, assessment questions to measure understanding, and an agreement to abide by the Code of Ethics. All employees of the Company and APS and all of our Directors complete the training.

CODE OF ETHICS FOR FINANCIAL EXECUTIVES

The Company has adopted a Code of Ethics for Financial Executives, which is designed to promote honest and ethical conduct and compliance with applicable laws and regulations, particularly as related to the maintenance of financial records, the preparation of financial statements, and proper public disclosure. "Financial Executive" means the Company's CEO, Chief Financial Officer, Chief Accounting Officer, Controller, Treasurer, and General Counsel, and the President, Chief Operating Officer and Executive Vice President, Operations of APS, and other persons designated from time to time as a Financial Executive subject to the Code of Ethics for Financial Executives by the Chair of the Audit Committee.

Both codes are available on the Company's website (www.pinnaclewest.com).

Human Capital Management

The Board as a whole, as well as through the Human Resources Committee, is responsible for oversight of the Company's policies and programs with regard to human capital management. The Human Resources Committee is tasked with establishing the Company's executive compensation philosophy and reviewing the Company's plans and programs for the attraction, retention, succession, motivation, and development of the human resources needed to achieve corporate objectives. The Human Resources Committee also reviews the Company's pension, health, welfare and benefit plans and is responsible for the oversight of risks relating to or arising out of the Company's compensation and human resources policies and practices. The full Board also receives reports on issues relating to human capital. The Board has multiple opportunities each year to interact directly with employees, including during our annual Board meeting at the Palo Verde Generating Station, during an annual dinner with high-potential employees, and at employee-driven presentations to the Board.

Environmental, Social and Governance

Our Board dedicates a great amount of time to environmental, social and governance matters at the Board and committee level. As an electric utility, environmental matters are at the forefront of our discussions on operations, strategy and risk. The Nuclear and Operating Committee has primary responsibility over environmental matters, though the Board also receives reports on matters of environmental importance. Another key focus of the Board is the adoption and maintenance of good governance practices, which is a primary responsibility of the Corporate Governance Committee. Our social impact, both within the Company and in our community and with our customers has also been a key focus of the Board, with certain aspects being overseen by the Corporate Governance and Human Resources Committees.

The Board's Role in Risk Oversight

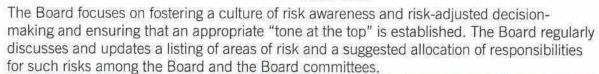


Top risks discussed by the Board and its committees in 2019 included cybersecurity, data privacy and protection, catastrophic fire event, Arizona utility regulation, and customer expectations. The Board believes it is important to look at the list fresh each year as part of a diligent risk review.

RESPONSIBILITIES

Responsibility for the management of the Company's risks rests with the Company's senior management team. The Board's oversight of the Company's risk management function is designed to provide assurance that the Company's risk management processes are well adapted to and consistent with the Company's business and strategy and are functioning as intended.

BOARD OF DIRECTORS





COMMITTEES

The charter for each of our committees requires each committee to periodically review risks in their respective areas. Each committee:

- · Receives periodic presentations from management about its assigned risk areas;
- Receives information about the effectiveness of the risk identification and mitigation measures being employed; and
- Discusses their risk reviews with the Board at least annually.

The Audit Committee periodically reviews the Company's risk assessment processes, guidelines, policies and program, as well as the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

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SENIOR MANAGEMENT – EXECUTIVE RISK COMMITTEE AND ENTERPRISE RISK MANAGEMENT GROUP

- The Executive Risk Committee ("ERC") is responsible for the Enterprise Risk Management Program and ensuring that the Board receives timely information concerning the Company's material risks and risk management processes and provides the Board with a list of the Company's top risks on an annual basis.
- The ERC is comprised of senior-level officers of the Company and is chaired by the Executive Vice President and Chief Administrative Officer of Pinnacle West and APS.
- The internal enterprise risk management group reports to the Vice President of Strategy and Risk of APS, who reports to the Executive Vice President and Chief Administrative Officer of Pinnacle West and APS. The internal risk management group is responsible for:
 - implementing a consistent risk management framework and reporting process across the Company; and
 - ensuring that the ERC is informed of those processes and regularly apprised of existing material risks and the emergence of additional material risks.

HIGHLIGHTS OF CERTAIN RISKS

Two risks monitored by the Board and its committees were as follows:

CATASTROPHIC FIRE EVENT - WILDFIRE RISK

Wildfire risk is always present for the Company given our expansive service territory. Wildfires have the potential to affect not only the communities that APS serves, but also APS's vast network of electric lines and facilities. The Company uses a proactive, multi-faceted approach to wildfire mitigation, with a central focus on risk assessment, readiness and compliance. Main components of the mitigation strategy include:

- · Disabling of automatic reclosers on high risk feeders during fire season;
- · Wildland-Urban/Forestry fire risk assessments and prevention measures;
- Wildland-Urban Interface/Defensible Space Around Poles Program;
- · Vegetation Management Right-of-Way Program; and
- Transmission Line Clearance Program.

Responsibility for oversight of wildfire risk was allocated to the Finance Committee.

CYBERSECURITY

Cybersecurity continues to be an integral part of APS's day-to-day business. The risks in this area are constantly expanding and evolving, particularly driven by the increasing sophistication of cyber threats and the growing risk surface presented by new technologies, platforms and other innovations. The Company has implemented cybersecurity measures focused on the layers of criticality around its bulk electrical systems and nuclear systems. The Company continues to embrace an industry-standard approach to cyber risk management, which includes:

- Cyber Incident Response Plan and augmentation of existing internal processes;
- Third-party risk monitoring technology and internal escalation process;
- · Collaboration between corporate Information Security and Palo Verde Cybersecurity;
- · APS Cyber Defense Center to detect, respond, contain and recover from cyber attacks;
- Active participation in Electricity Subsector Coordinating Council Cyber Mutual Assistance Program;
 and
- Consistent application of security controls across all technology solutions and underlying infrastructure.

Responsibility for oversight of cybersecurity risk was allocated to the Nuclear and Operating Committee.

Management Succession

Executive succession planning and senior management development were specific areas of focus for the Corporate Governance Committee over the last several years. Our deliberate and thoughtful succession plan was implemented in 2019, resulting in the election of Jeffrey B. Guldner as Chairman of the Board, President and CEO of the Company and Chairman of the Board and CEO of APS, Daniel T. Froetscher as President and Chief Operating Officer of APS, Maria L. Lacal as Executive Vice President and Chief Nuclear Officer, PVGS of APS, and Theodore N. Geisler as Senior Vice President and Chief Financial Officer of the Company and APS. The implementation of this succession plan is the result of the Corporate Governance Committee engaging with management in thorough analysis and thoughtful discussions, including the development and evaluation of current and potential senior leaders.

Our Board places a high priority on senior management development and succession planning. While the Corporate Governance Committee has principal responsibility for overseeing CEO and other senior management succession planning, the full Board is actively involved in reviewing our senior management succession plans that are designed to provide for smooth and thoughtful leadership transitions in the future.



Given our need for specialized experience, we maintain strong management succession planning practices and are focused on developing and retaining talent within our Company. Our Board's focus on attracting, developing and retaining highly skilled and experienced executives is a core consideration in structuring our executive compensation programs.

Shareholder Engagement

OUR GOAL

What our shareholders think is important to us. We seek to maintain a transparent and productive dialogue with our shareholders by:

- · Providing clear and timely information,
- · Seeking and listening to feedback, and
- Being responsive.

OUR PLAN

To accomplish this goal, we have an established shareholder engagement program designed to maintain a dialogue with our shareholders. Each year we strive to respond to shareholder questions in a timely manner, conduct extensive proactive outreach to investors, and evaluate the information we provide to investors in an effort to continuously improve our engagement. In 2019, we contacted the holders of approximately 50% of the shares outstanding. Our Lead Director and other members of the Board, depending on the topic to be addressed, have participated in shareholder discussions, providing shareholders with direct access to the Board.

ANNUAL ENGAGEMENT CYCLE

SPRING

We publish annual communications to our shareholders: Annual Report, Proxy Statement, and Corporate Responsibility Report. We reach out to our shareholders and discuss proxy-related topics in connection with our Annual Meeting held in May.

SUMMER

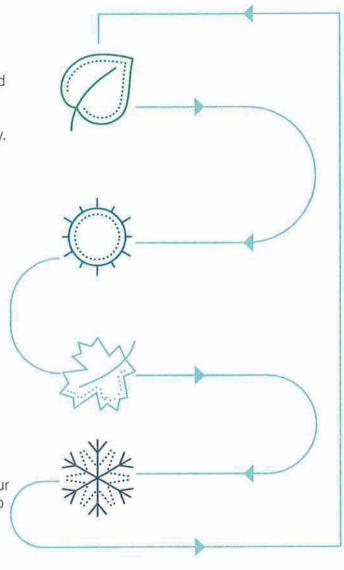
We review the results of the Annual Meeting and potential improvements to our governance policies and practices.

FALL

We reach out to our shareholders in order to discuss the Annual Meeting outcome and to understand their priorities for the year. We communicate shareholder feedback to the Board and use it to enhance our governance practices, our disclosures and our sustainability and compensation programs.

WINTER

The cycle concludes with the Board considering our shareholders feedback and determining whether to implement items in response.



COMMUNICATING WITH THE BOARD

Shareholders and other parties interested in communicating with the Board, the independent Directors or with the Lead Director may do so by writing to the Corporate Secretary, Pinnacle West Capital Corporation, 400 North Fifth Street, Mail Station 8602, Phoenix, Arizona 85004. The Corporate Secretary will transmit such communications, as appropriate, depending on the facts and circumstances outlined in the communications. In that regard, the Corporate Secretary has discretion to exclude communications that are unrelated to the duties and responsibilities of the Board, such as commercial advertisements or other forms of solicitations, service or billing matters and complaints related to individual employment-related actions.

Employee, Officer and Director Hedging

Directors, officers, and employees of the Company may not engage in any speculative trading, hedging, or derivative security transaction (including the purchase of any financial instrument such as a prepaid variable forward contract, equity swap, collar, short-sales, or exchange fund) that involves or references Company securities, whether granted to the employee or Director as part of the compensation program or otherwise held by the employee or Director. In addition, Directors and officers may not pledge, margin or otherwise grant an economic interest in any shares of Company stock.

DIRECTOR NOMINEES FOR THE 2020 ANNUAL MEETING

PROPOSAL 1

Election of Directors



The Board of Directors unanimously recommends a vote FOR the election of the nominated slate of directors

The eleven nominees for election as directors are set forth below. All nominees will be elected for a one-year term that will expire at the 2021 Annual Meeting. The Directors' ages are as of February 21, 2020. All of our Directors also serve as Directors of APS for no additional compensation.

DIRECTORS' KEY SKILLS AND EXPERIENCE

	GLYNIS A. BRYAN	DENIS A. CORTESE, M.D.	RICHARD P. FOX	JEFFREY B. GULDNER	DALE E. KLEIN, PH. D.	HUMBERTO S. LOPEZ	KATHRYN L. MUNRO	BRUCE J. NORDSTROM	PAULA J. SIMS	JAMES E. TREVATHAN, JR.	DAVID P. WAGENER
DIVERSITY			,					,,,			
Gender or Ethnicity	0					0	0		0		
FINANCE & ACCOUNTING		(I ,	-			17	1-00000	dia	Det un Luni		
Audit Expertise			0				1 - 30 - 30 - 30 - 30 - 30 - 30 - 30 - 3	0			
Finance/Capital Allocation	0	0		25.00		0					0
Financial Literacy/Accounting	0	0	0		0	0		0		0	0
Investment Experience		l		1 A WEST		0	0				0
BUSINESS OPERATIONS AND STRATEGY			1					-	I		
Business Strategy			0	0					0	0	0
Complex Operations Experience		0		1965)	0				0	0	
Corporate Governance	0						0	0			
Customer Perspectives		8	0			8		0			
Extensive Knowledge of Company's Business Environment				0		0	8	0			

	GLYNIS A. BRYAN	DENIS A. CORTESE, M.D.	RICHARD P. FOX	JEFFREY B. GULDNER	DALE E. KLEIN, PH. D.	HUMBERTO S. LOPEZ	KATHRYN L. MUNRO	BRUCE J. NORDSTROM	PAULA J. SIMS	JAMES E. TREVATHAN, JR.	DAVID P. WAGENER
LARGE ORGANIZATIONAL LEADERSHIP		PHILL 11	p	P-1-10-2-01		£					,
CEO/Senior Leadership	0			0	0		0		0	0	
Public Board Service	8		0				0				0
Human Capital Management		8	0	0	0	0	0	0		0	
THE COMPANY'S INDUSTRY		1011-0-7	- The ellimont		-	distribution of the second					
Nuclear Experience					0				0		
Utility Industry Experience				0	0				0		0
PUBLIC POLICY AND REGULATORY COMPLIANCE											
Government/Public Policy/Regulatory	0	0		0	0		le sk		0	0	E
RISK OVERSIGHT AND RISK MANAGEMENT	<u> </u>										2-1007
Risk Oversight and Risk Management	8	0	0	0		0	0	0	0	0	0

Director Nominees



Glynis A. Bryan Independent Director Age: 61 Director since: 2020

BACKGROUND

- Since 2007: Chief Financial Officer, Insight Enterprises, Inc. (computer hardware, software, and technology solutions)
- . Ms. Bryan is also a director of Pentair plc

QUALIFICATIONS

As a Chief Financial Officer for more than 20 years, Ms. Bryan brings to the Board broad functional experience in financial planning and analysis, treasury, capital markets and managing financial risk. In addition to her executive leadership experience, she also has more than 15 years of public company board experience, serving on the Board of Pentair plc where she serves as the Chair of the Audit and Finance Committee and previously served as the Chair of the Governance Committee. Ms. Bryan also brings added diversity to the Board as a woman of color.

COMMITTEES

- Audit
- · Nuclear and Operating

NOMINEE SKILLS AND EXPERIENCE

As a long-tenured CFO and member of a public Board of a large, multinational corporation, Ms. Bryan brings the following key attributes to the Company:

- · Corporate Governance
- · Finance/Capital Allocation
- Financial Literacy/Accounting
- · CEO/Senior Leadership
- Public Board Service
- Government/Public Policy/ Regulatory
- Risk Oversight and Risk Management



Denis A. Cortese, M.D.

Independent Director

Age: 75

Director since: 2010

BACKGROUND

- Since February 2010: Director of the ASU Health Care Delivery and Policy Program and a Foundation Professor in the Department of Biomedical Informatics, Ira A. Fulton School of Engineering and in the School of Health Management and Policy, W.P. Carey School of Business
- Since November 2009: Emeritus President and Chief Executive Officer of the Mayo Clinic (medical clinic and hospital services)
- From March 2003 until retirement in November 2009: President and Chief Executive Officer of the Mayo Clinic
- · Within the last five years Dr. Cortese served as a director of Cerner Corporation

QUALIFICATIONS

As former President and Chief Executive Officer of the Mayo Clinic, a multistate, complex hospital and medical care system, Dr. Cortese gained extensive experience in human capital management, risk oversight and risk management, customer perspectives, and leading complex organizations with multiple constituencies. He led an organization that delivers strong and efficient customer service, which parallels the Company's strategies. Through his service at Mayo, he developed experience in finance, capital allocation, accounting, and regulation, and his background in public policy development, science and technology brings valuable perspective to issues that face the Company.

COMMITTEES

- Audit
- Human Resources
- Nuclear and Operating

NOMINEE SKILLS AND EXPERIENCE

As former President and CEO of Mayo Clinic, a worldwide leader in medical care with operations located throughout the United States, Dr. Cortese brings the following key attributes to the Company:

- Complex Operations Experience
- Customer Perspectives
- Finance/Capital Allocation
- Financial Literacy/Accounting
- Government/Public Policy/
 Regulatory
- Human Capital Management
- Risk Oversight and Risk Management



Richard P. Fox Independent Director Age: 72 Director since: 2014

BACKGROUND

- Since 2001: Consultant and independent board member for companies in various industries
- Mr. Fox previously held executive, operational and financial positions at CyberSafe Corporation ("CyberSafe"), Wall Data, Incorporated ("Wall Data") and PACCAR Inc., and is a former Managing Partner of Ernst & Young's Seattle office
- Mr. Fox is also a director of LiveRamp Holdings, Inc. (successor to Acxiom Corporation), FrontDoor, Inc., and Univar Solutions, Inc.
- Within the past five years, Mr. Fox has served as a director of ServiceMaster Global Holdings, FLOW International Corporation, and Pendrell Corporation

QUALIFICATIONS

As a former Managing Partner of Ernst & Young and as former Chief Financial Officer of Wall Data and President and Chief Operating Officer of CyberSafe, Mr. Fox has a deep understanding of auditing, financial and accounting matters. Mr. Fox has also served on the boards of several companies throughout his career, including seven public companies, giving him extensive insights into business strategy, human capital management and compensation, risk oversight and risk management, and the customer perspective. His extensive board experience, including service on various audit committees and finance committees, including chairmanships, adds to the Board's depth and capabilities.

COMMITTEES

- Audit
- Finance
- Human Resources

NOMINEE SKILLS AND EXPERIENCE

As a former Managing Partner of Ernst & Young, one of the "Big Four" auditing firms with multinational operations, Mr. Fox brings the following key attributes to the Company:

- Audit Expertise
- Business Strategy
- Customer Perspectives
- Human Capital Management
- Financial Literacy/Accounting
- Public Board Service
- Risk Oversight and Risk Management



Jeffrey B. Guldner

Chairman of the Board, President and CEO of the Company and Chairman of the Board and CEO of APS

Age: 54

Director since: 2019

BACKGROUND

- Since November 2019: Chairman of the Board, President and CEO of the Company and Chairman of the Board and CEO of APS
- · From December 2018 to January 2020: President of APS
- From May 2017 to November 2019: Executive Vice President, Public Policy of the Company
- From May 2017 to December 2018: Executive Vice President, Public Policy of APS
- From May 2017 to August 2018: General Counsel of the Company and APS
- From 2014 to May 2017: Senior Vice President, Public Policy of APS

QUALIFICATIONS

Mr. Guldner joined the Company in 2004 and has held a number of leadership and executive positions responsible for several different areas of importance to the health and success of the Company, including public policy, legal, rates and regulation, government affairs and customer service. As EVP, Public Policy and President of APS, he has been instrumental in setting the Company's short- and long-term strategy. Prior to joining APS, Mr. Guldner was a partner in the Phoenix office of Snell & Wilmer LLP, where he practiced public utility, telecommunications and energy law. Before practicing law, Mr. Guldner served as a surface warfare officer in the United States Navy and was an assistant professor of naval history at the University of Washington.

NOMINEE SKILLS AND EXPERIENCE

Mr. Guldner has comprehensive experience within the Company in many different areas of importance to the overall health of the Company, including the development of strategy with respect to rates and regulation as well as our clean energy vision. Mr. Guldner brings the following key attributes to the Company:

- Business Strategy
- · CEO/Senior Leadership
- Extensive Knowledge of Company's Business Environment
- Government/Public Policy/ Regulatory
- · Human Capital Management
- Risk Oversight and Risk Management
- · Utility Industry Experience



Dale E. Klein, Ph.D.

Independent Director

Age: 72

Director since: 2010

BACKGROUND

- Since January 2011: Associate Vice Chancellor for Research at The University of Texas System
- From July 2006 to May 2009: Chairman of the Nuclear Regulatory Commission ("NRC"), and thereafter continued as a Commissioner until March 2010
- From November 2001 to July 2006: Assistant to the Secretary of Defense for Nuclear, Chemical and Biological Defense Program
- Since September 1977: Professor of Mechanical Engineering at the University of Texas at Austin
- · Dr. Klein is also a director of Southern Company

QUALIFICATIONS

The NRC oversees nuclear power plant operations in the United States. As the former Chairman of the NRC, Dr. Klein brings expertise in all aspects of nuclear energy regulation, operation, technology and safety. His broad national and international experience in all aspects of the nuclear utility industry, nuclear energy, government and regulation brings value to the Board, particularly from the perspective of our operations at Palo Verde Generating Station. His service with the NRC, including his tenure as Chairman, gives him senior leadership experience in operating large, complex organizations, financial literacy and human capital management and compensation experience.

COMMITTEES

- Audit
- Nuclear and Operating

NOMINEE SKILLS AND EXPERIENCE

As former Chairman of the NRC, the entity that formulates policies and regulations governing nuclear reactor and materials safety, issues orders to licensees, and adjudicates legal matters brought before it, Dr. Klein brings the following key attributes to the Company:

- CEO/Senior Leadership
- Complex Operations Experience
- Financial Literacy/Accounting
- Government/Public Policy/ Regulatory
- Human Capital Management
- Nuclear Experience
- Utility Industry Experience



Humberto S. Lopez

Independent Director

Age: 74

Director since: 1995

BACKGROUND

- Since January 2016: Chairman of the Board of HSL Properties, Inc. (real estate development and investment) in Tucson, Arizona
- From 1975 to January 2016: President of HSL Properties, Inc.

QUALIFICATIONS

In addition to management and business knowledge, Mr. Lopez brings extensive investment and real estate development expertise to the Company. His understanding of real estate and associated markets has proven to be a valuable asset to the Company due to the importance of those markets in Arizona. Mr. Lopez is also extensively familiar with the Company's business environment, including our customers' perspectives and Arizona's historic economic cycles, which help the Company plan for future growth and energy needs. As an entrepreneur who built his own real estate development business, Mr. Lopez has gained essential knowledge, skills and experience in accounting, finance and capital allocation, human capital management, and risk oversight and risk management. As a member of the Hispanic community, he also brings valued diversity to the Board.

COMMITTEES

- · Finance (Chair)
- Audit
- Human Resources

NOMINEE SKILLS AND EXPERIENCE

Mr. Lopez is an accomplished real estate developer throughout Arizona and brings the following key attributes to the Company:

- Customer Perspectives
- Extensive Knowledge of Company's Business Environment
- · Finance/Capital Allocation
- Financial Literacy/Accounting
- Human Capital Management
- Investment Experience
- Risk Oversight and Risk Management



Kathryn L. Munro Independent Director

macpondone

Age: 71 Director since: 2000 Lead Director

BACKGROUND

- · Since July 2003: Principal of BridgeWest, LLC (an investment company)
- From February 1999 until July 2003: Chairman of BridgeWest, LLC
- From 1996 to 2000: Chief Executive Officer of Bank of America's ("BofA")
 Southwest Banking Group
- From 1994 to 1996: President of BofA Arizona. Prior to that, Ms. Munro held a variety of senior positions during her 20-year career with BofA
- Ms. Munro is also Chairman of the Board of Premera Blue Cross and Lead Director of Knight-Swift Transportation Holdings, Inc. ("Knight-Swift")

QUALIFICATIONS

As principal of an investment company, and as former Chief Executive Officer of BofA's Southwest Banking Group and President of BofA Arizona, Ms. Munro brings business and investment acumen, financial knowledge, and leadership skills to the Company. Her extensive knowledge of the Company's business environment includes experience with the cycles in Arizona's economy, which assists a growing infrastructure company like Pinnacle West in accessing capital and meeting its financing needs. Ms. Munro is an experienced director, currently serving on the boards of Knight-Swift and Premera Blue Cross, providing her experience in human capital management and compensation, corporate governance, and risk oversight and risk management.

COMMITTEES

- · Corporate Governance (Chair)
- Finance
- Human Resources

NOMINEE SKILLS AND EXPERIENCE

As a former CEO of BofA's Southwest Banking Group, Ms. Munro brings a wealth of experience to the Company, including the following key attributes:

- CEO/Senior Leadership
- Corporate Governance
- Extensive Knowledge of Company's Business Environment
- Human Capital Management
- Investment Experience
- Public Board Service
- Risk Oversight and Risk Management



Bruce J. Nordstrom

Independent Director

Age: 70

Director since: 2000

BACKGROUND

- Since June 2019: Vice President of and a certified public accountant at the firm of, Nordstrom & Associates, P.C., in Flagstaff, Arizona
- From 1988 to June 2019: President of and a certified public accountant at Nordstrom & Associates, P.C.

QUALIFICATIONS

As the former president and current vice president of an accounting firm, Mr. Nordstrom has gained an extensive accounting, auditing and financial skill set, as well as familiarity with principles of risk oversight and risk management. His tenure with the Company in addition to operating an Arizona-based business has provided him with extensive knowledge of the Company's business environment. Furthermore, as an individual who built an accounting firm in Flagstaff, Arizona, Mr. Nordstrom has obtained experience in human capital management and compensation and corporate governance as well as a familiarity with the perspectives of customers in the Northern Arizona service territory of APS.

COMMITTEES

- · Audit (Chair)
- Corporate Governance
- Nuclear and Operating

NOMINEE SKILLS AND EXPERIENCE

As the Vice President of Nordstrom & Associates and a practicing CPA, Mr. Nordstrom brings the following key attributes to the Company:

- Audit Expertise
- Corporate Governance
- Customer Perspectives
- Extensive Knowledge of Company's Business Environment
- Financial Literacy/Accounting
- Human Capital Management
- Risk Oversight and Risk Management



BACKGROUND

Paula J. Sims Independent Director Age: 58

Director since: 2016

- Since May 2012: Professor of Practice and Executive Coach at the University of North Carolina Kenan-Flagler Business School
- From July 2010 to June 2012: Senior Vice President of Corporate Development and Improvement at Progress Energy Inc.
- From July 2007 to July 2010; Senior Vice President of Power Operations of Progress Energy

QUALIFICATIONS

Ms. Sims worked directly in the utility industry for more than 13 years. She brings extensive leadership experience to the Company in business strategy, electric utility operations, nuclear strategy, and operating in a regulated environment. In her prior roles at Progress Energy, Ms. Sims was responsible for complex business operations and strategy, including new generation, supply chain and information technology, as well as overall process and efficiency improvements. Her experience gives her extensive insight into the operational, regulatory, and risk-related matters that are of ever-increasing significance to the Company.

COMMITTEES

- Finance
- Nuclear and Operating

NOMINEE SKILLS AND EXPERIENCE

Ms. Sims brings hands-on experience in electric utility operations, including generation, renewable energy, energy efficiency, fuels and energy trading, and customer service, as well as an understanding of the role of management and executive oversight, and brings the following key attributes to the Company:

- Business Strategy
- CEO/Senior Leadership
- Complex Operations Experience
- Nuclear Experience
- Government/Public Policy/ Regulatory
- Risk Oversight and Risk Management
- Utility Industry Experience



James E. Trevathan, Jr. Independent Director

Age: 66

Director since: 2018

BACKGROUND

- From July 2012 to December 2018: Executive Vice President and Chief Operating Officer of Waste Management, Inc. ("Waste Management") (waste disposal and recycling solutions)
- From June 2011 to July 2012: Executive Vice President of Growth, Innovation and Field Support of Waste Management
- From July 2007 to June 2011: Senior Vice President, Southern Group of Waste Management

QUALIFICATIONS

Mr. Trevathan brings to the Board more than 35 years of complex operational experience, serving 15 years in an executive capacity, with a focus on safety, environmental issues, customer service, disruptive technology, risk oversight and risk management, and community and regulatory affairs. Through his experience at Waste Management, Mr. Trevathan has gained significant experience in the oversight and management of risk, human capital management, business strategy development as well as literacy in finance and accounting.

COMMITTEES

- Human Resources
- Nuclear and Operating

NOMINEE SKILLS AND EXPERIENCE

From his more than 35 years of operational and executive experience at Waste Management, Mr. Trevathan brings the following key attributes to the Company:

- Business Strategy
- · CEO/Senior Leadership
- Complex Operations Experience
- · Financial Literacy/Accounting
- Government/Public Policy/ Regulatory
- Human Capital Management
- Risk Oversight and Risk Management



David P. Wagener Independent Director

Age: 65

Director since: 2014

BACKGROUND

- Since June 1995: Managing Partner of Wagener Capital Management (investment and advisory firm serving utility and private equity companies)
- Mr. Wagener previously held executive positions at Salomon Brothers and Goldman, Sachs & Co.

QUALIFICATIONS

Mr. Wagener brings to the Board over 35 years of experience in the power/energy industry, project finance and investment banking experience, and knowledge of utility regulation. Through his financial experience and service on boards of public companies he has developed key experience in capital allocation, accounting, and risk oversight and risk management. His participation brings value to the Company and the Board as we address structural and business strategy challenges facing the utility industry.

COMMITTEES

- Audit
- Finance
- Nuclear and Operating

NOMINEE SKILLS AND EXPERIENCE

As the Managing Partner of Wagener Capital Management, Mr. Wagener is experienced at analyzing business strategies, and brings the following key attributes to the Company:

- Business Strategy
- · Finance/Capital Allocation
- · Financial Literacy/Accounting
- · Investment Experience
- · Public Board Service
- Risk Oversight and Risk Management
- Utility Industry Experience

CURRENT DIRECTORS NOT STANDING FOR REELECTION

Mr. Michael L. Gallagher will retire from the Board effective at the Annual Meeting. The Board recognizes Mr. Gallagher's distinguished service over the years and thanks him for his tireless labor, devotion and service to the Company.

Director Independence

NYSE rules require companies whose securities are traded on the NYSE to have a majority of independent directors. These rules describe certain relationships that prevent a director from being independent and require a company's board of directors to make director independence determinations in all other circumstances. The Company's Board has also adopted Director Independence Standards to assist the Board in making independence determinations. These Director Independence Standards are available on the Company's website (www.pinnaclewest.com).

In accordance with the NYSE rules and the Director Independence Standards, the Board undertakes an annual review to determine which of its directors are independent. The review generally takes place in the first quarter of each year; however, directors are required to notify the Company of any changes that occur throughout the year that may impact their independence.

Based on the Board's review, the Board has determined that all of the Company's Directors and Director nominees are independent, except Mr. Guldner due to his employment with the Company. Mr. Brandt was not independent while he was on the Board due to his employment with the Company.

11 of our 12 Directors are independent

The Company has purchase, sale and other transactions and relationships in the normal course of business with companies with which certain Company Directors are associated but which the Board determined are not material to our Company, the Directors or the companies with which the Directors are associated. These transactions were reviewed and considered by the Board in determining the independence of Company Directors. In particular, the Board took into account the following transactions during fiscal year 2019:

- Ms. Bryan is an executive officer of Insight Enterprises, Inc. ("Insight"), which provides computer
 hardware and software products and IT services to APS. The amounts paid to Insight represent less
 than 1% of the Company's and Insight's total annual revenues;
- Dr. Cortese is an employee of Arizona State University, which is considered a part of the reporting
 entity for the State of Arizona (the "State") for financial reporting purposes. During fiscal year
 2019, various transactions occurred between the State and the Company and its affiliates, such as
 the provision of electric service, the payment of various State fees, taxes, memberships, licenses,
 sponsorships and donations, and the payment by each party of utility-related costs. The amounts paid
 to and received from the State represent less than 2% of the State's total annual revenues; and
- Mr. Fox serves as a director of Univar Solutions, Inc. ("Univar"), from which APS purchases chemicals that are used in the operation and maintenance of our power plants. The amounts paid to Univar represent less than 1% of the Company's and Univar's total annual revenues.

The Board believes that all of the transactions and relationships during fiscal year 2019 described above were on arm's-length terms that were reasonable and competitive and that the Directors did not participate in or receive any direct personal benefit from these transactions.

In addition, with respect to all of the Directors, the Board considered that many of the Directors and/ or businesses of which they are officers, Directors, shareholders, or employees are located in APS's service territory and purchase electricity from APS at regulated rates in the normal course of business. The Board considered these relationships in determining the Directors' independence, but, because the rates and charges for electricity provided by APS are fixed by the ACC, and the Directors satisfied the other independence criteria specified in the NYSE rules and the Director Independence Standards, the Board determined that these relationships did not impact the independence of any Director. The Board also considered contributions to charitable and non-profit organizations where a Director also serves as a director of such charity or organization. However, since no Director is also an executive officer of such charitable or non-profit organization, the Board determined that these payments did not impact the independence of any Director.

Director Compensation

Compensation of the directors for 2019 was as follows:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) ⁽²⁾	All Other Compensation (\$)	Total (\$)
Donald E. Brandt ⁽³⁾	0	0	0	0	0
Denis A. Cortese, M.D.	105,000	120,225	0	0	225,225
Richard P. Fox	120,000	120,225	20,648	0	260,873
Michael L. Gallagher	120,000	120,225	156,905	0	397,130
Jeffrey B. Guldner ⁽³⁾	0	0	0	O	0
Dale E. Klein, Ph.D.	105,000	120,225	0	0	225,225
Humberto S. Lopez	120,000	120,225	193,170	0	433,395
Kathryn L. Munro	150,000	120,225	31,687	0	301,912
Bruce J. Nordstrom	120,000	120,225	97,845	0	338,070
Paula J. Sims	105,000	120,225	5,510	0	230,735
James E. Trevathan, Jr.	105,000	184,615	2,453	0	292,068
David P. Wagener	105,000	120,225	0	0	225,225

In accordance with FASB ASC Topic 718, this amount reflects the aggregate grant date fair value of the stock awards. On May 15, 2019, all of the Directors at that time received a grant of either common stock or stock units ("SUs"), based on an election previously delivered to the Company. All Directors received common stock except for Messrs. Fox, Gallagher, Trevathan and Dr. Klein, and Mses. Munro and Sims, who each received SUs. Under the terms of the SUs, Ms. Sims and Mr. Trevathan will receive 100% of the SUs in stock and the remaining Directors who received SUs will receive 50% of the SUs in cash and 50% of the SUs in common stock, in all cases on the last business day of the month following the month in which they separate from service on the Board. The number of shares of common stock or SUs granted was 1,263, and the grant date fair value of each share of common stock or SU is \$95.19, which was the closing stock price on May 15, 2019. In addition, on January 2, 2019, Mr. Trevathan received a pro-rata grant of common stock based on his service on the Board from December 2018 to May 2019 in the amount of 777 shares; the shares have a grant date fair value of \$82.87. As of December 31, 2019, the following Directors had the following outstanding RSU or SU awards: Mr. Fox — 5,637; Mr. Gallagher — 16,055; Dr. Klein — 16,106; Ms. Munro — 14,061; Ms. Sims — 2,817; and Mr. Trevathan — 1,263.

⁽²⁾ The Company does not have a pension plan for Directors. The amount in this column consists solely of the above-market portion of annual interest accrued under a deferred compensation plan pursuant to which Directors may defer all or a portion of their Board fees. See the discussion of the rates of interest applicable to the deferred compensation program under "Discussion of Nonqualified Deferred Compensation".

Mr. Brandt and Mr. Guldner are NEOs and their compensation is set forth in the Summary Compensation Table. Only non-management directors are compensated for Board service. Mr. Brandt retired from the Board of Directors in November 2019.

Discussion of Directors' Compensation

The Human Resources Committee makes recommendations to the Board for compensation, equity participation, and other benefits for Directors. The director compensation program consists of the following components:

Compensation Component	Amount (\$)
Annual Retainer	105,000
Audit Committee, Corporate Governance Committee, Human Resources Committee, Finance Committee, and Nuclear and Operating Committee Chairs Annual Retainers	15,000
Lead Director Annual Retainer	30,000
Annual Equity Grant	Shares with a value of approximately \$120,000 on the grant date

Directors had an option to either receive the stock grant on May 15, 2019 or defer the receipt until a later date. A director who elected to defer his or her receipt of stock received SUs in lieu of the stock grant. Those directors who elected to receive SUs were able to elect to receive payment for the SUs in either: (1) stock; (2) 50% in stock and 50% in cash; or (3) cash. The directors also elected whether to receive these payments either as of the last business day of the month following the month in which the director separates from service on the Board, or as of a date specified by the director, which date must be after December 31 of the year in which the grant was received. The SUs accrue dividend rights equal to the amount of dividends the director would have received if the director had directly owned one share of our common stock for each SU held, plus interest at the rate of 5% per annum, compounded quarterly. The manner of payment for the dividends and interest will be based on the director's election for payment of the SUs.

Directors of Pinnacle West also serve on the APS Board of Directors for no additional compensation. The Company reimburses Board members for expenses associated with Board meetings and director education programs.

The 2012 Long-Term Incentive Plan, as amended (the "2012 Plan"), was amended in 2017 to add an overall limit to non-employee directors' compensation. The value of equity grants (based on the grant date value) plus the aggregate amount of cash fees earned or paid is limited to \$500,000 per calendar year.

A comparison against the compensation programs of a peer group is generally performed every two years, and a study was last performed and reviewed by the Human Resources Committee in December 2019 using the peer group that we used in setting 2020 executive compensation. At that time the Human Resources Committee and Board deferred deciding on any changes to the compensation for the Board to a later date to allow for further deliberation. The last adjustment to Directors' compensation was in December 2017 when the Board approved increasing the value of the annual retainer from \$100,000 to \$105,000, the annual equity grant from \$110,000 to \$120,000, the committee chair retainers from \$12,500 to \$15,000, the Lead Director annual retainer from \$25,000 to \$30,000, and instituted a committee chair retainer for the chair of the Corporate Governance Committee. These changes went into effect in May 2018. The Consultant, as defined in the Compensation Discussion and Analysis, reviewed the study, validated the methodology, and concluded that the new amounts were within the competitive range.

Director Stock Ownership Policy

The Company believes that directors should have a meaningful financial stake in the Company to align their personal financial interests with those of the Company's shareholders.

In December 2019, the Board amended the Company's stock ownership policy for non-management directors to increase the holding requirement. Each director is required to hold or control Company common stock, RSUs, or SUs with a value of at least five times the annual cash retainer fee paid to directors. Directors will have three years from the date of the adoption of the amendment to meet the new requirement; newly elected directors will have six years following the date they become a director to reach the required ownership level. The Corporate Governance Committee may grant exceptions to this policy for hardship or other special circumstances. Directors may not engage in any speculative trading, hedging, or derivative security transaction (including any financial instrument such as a prepaid variable forward contract, equity swap, collar, short-sales, or exchange fund) that involves or references Company securities. In addition, Directors may not pledge, margin or otherwise grant an economic interest in any shares of Company stock.

All of the Directors are in compliance with the Director Stock Ownership Policy.

EXECUTIVE COMPENSATION

PROPOSAL 2

Advisory Vote on Executive Compensation



The Board of Directors unanimously recommends a vote FOR the approval of the Company's executive compensation

Section 14A of the Exchange Act requires U.S. public corporations to provide for an advisory (non-binding) vote on executive compensation. As discussed in more detail in our CD&A and the accompanying tables and narrative, the Company has designed its executive compensation program to align executives' interests with those of our shareholders, make executives accountable for business and individual performance by putting pay at risk, and attract, retain and reward the executive talent required to achieve our corporate objectives and to increase long-term shareholder value. We believe that our compensation policies and practices promote a pay at risk philosophy and, as such, are aligned with the interests of our shareholders.

In deciding how to vote on this say-on-pay proposal, the Board points out the following factors, many of which are more fully discussed in the CD&A:

- Our Human Resources Committee has designed the compensation packages for our NEOs to depend significantly on putting pay at risk by tying pay to the achievement of goals that the Human Resources Committee believes drive long-term shareholder value;
- Our pay practices are designed to encourage management to not take unacceptable risks;
- · We engage in periodic structural reviews of our compensation programs and policies; and
- We believe that the Company's executive compensation program is well suited to promote the Company's objectives in both the short- and long-term.

The Board endorses the Company's executive compensation program and recommends that the shareholders vote in favor of the following resolution:

RESOLVED, that the compensation paid to the Company's Named Executive Officers as disclosed in this Proxy Statement in the CD&A, the compensation tables and the narrative discussion, is hereby approved.

Because your vote is advisory, it will not be binding upon the Human Resources Committee or the Board. However, we value our shareholders' opinions, and we will consider the outcome of the vote when determining future executive compensation arrangements.

Human Resources Committee Report

The Human Resources Committee submitted the following report:

The Human Resources Committee is composed of non-employee directors, each of whom is independent as defined by NYSE rules and the Company's Director Independence Standards.

In accordance with SEC rules, the Human Resources Committee discussed and reviewed the Compensation Discussion and Analysis with management and, based on those discussions and review, the Human Resources Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

HUMAN RESOURCES COMMITTEE CHAIR Richard P. Fox

HUMAN RESOURCES COMMITTEE MEMBERS
Denis A. Cortese, M.D.
Humberto S. Lopez
Kathryn L. Munro
James E. Trevathan, Jr.

Compensation Discussion and Analysis ("CD&A")

Named Executive Officers

Our NEOs for 2019 were:



President and Chief
Executive Officer of PNW and
Chairman of the Board and
Chief Executive Officer of APS(1)



Jeffrey B. Guldner
Chairman of the Board,
President and Chief Executive
Officer of PNW and Chairman of
the Board and Chief Executive
Officer of APS



James R. Hatfield
Executive Vice President,
Chief Administrative Officer and
Treasurer of PNW and APS(2)



Robert S. Bement
Executive Vice President and
Special Advisor to the Chief
Executive Officer of APS⁽³⁾



Daniel T. Froetscher
President and Chief Operating
Officer of APS



Robert E. Smith
Senior Vice President and
General Counsel of PNW and
APS

⁽¹⁾ Mr. Brandt retired on November 15, 2019.

Mr. Hatfield was promoted to the position of Executive Vice President and Chief Administrative Officer of PNW and APS effective January 8, 2020 and Treasurer effective February 19, 2020. For 2019, Mr. Hatfield served as Executive Vice President and Chief Financial Officer of PNW and APS.

⁽³⁾ Mr. Bement retired on March 31, 2020.

Executive Summary

BUSINESS OVERVIEW

Pinnacle West is an electric utility holding company based in Phoenix, Arizona, one of the fastestgrowing metropolitan areas in the United States. Through our principal subsidiary, APS, we provide retail electricity service to 1.3 million customers in 11 of Arizona's 15 counties.

We have the full range of resources needed to satisfy customers' expectations, support Arizona's expanding economy and population, and deliver long-term value to shareholders:

- strong, experienced senior leadership;
- talented and resourceful employees who are the Company's strength:
- a diverse, well-performing energy portfolio that will grow even cleaner with our new commitment to clean energy; and
- an established track record of safe, reliable operations.

comes from clean, carbon-free resources Palo Verde Generating Station provides nearly 70% of Arizona's carbon-free energy Clean energy plays a vital role in meeting our customers' energy

50%

of our diverse energy mix today

needs, and today 50% of our diverse energy mix comes from clean, carbon-free resources. The Company has been on a trajectory of increasingly clean energy through solar power innovation, major investments in energy storage technology, carbon-free nuclear operations and advances in energy efficiency solutions. Now, we are accelerating and solidifying that path with a goal to deliver 100% clean, carbon-free and affordable electricity to customers by 2050. We will rely on intelligent investments in renewable resources, continued modernization of the grid and the nuclear power produced at Palo Verde Generating Station, the nation's largest carbon-free energy resource, to sustain reliability and affordability on the pathway to the 100% goal.

While we share ownership of Palo Verde, APS retains full day-to-day operational responsibility, including regulatory responsibility to the NRC. The complexity of running a nuclear plant of Palo Verde's size requires a highly specialized and experienced management team. Given our need for specialized experience within our organization, we maintain strong succession planning practices and are focused on developing and retaining talent within our Company. Our Board's focus on attracting, developing and retaining highly skilled and experienced executives is a core consideration in structuring our executive compensation programs.

BUILDING SHAREHOLDER VALUE THROUGH OPERATIONAL EXCELLENCE AND A SUSTAINABLE ENERGY FUTURE

As Arizona's largest and longest-serving electric company, we're proud of our heritage and performance. We also recognize the implications of new technologies and growing customer expectations, which are leading to changes at our Company and in our industry. Our strategy for building long-term value is driven by our core operational excellence and financial strength while also capitalizing on technology advances that promote a sustainable energy future, including our goal for 100% clean, carbon-free and affordable electricity by 2050:

Executing on our Financial and Operational Objectives

- Sustaining our operational excellence
- · Maintaining our financial strength
- · Leveraging Arizona's economic growth

Ensuring a Sustainable Energy Future

- Integrating technology to modernize the grid
- Incorporating clean energy resources to meet the needs of customers

DELIVERING RESULTS

Our management team has maintained a focus on our core business of operating and investing in a vertically integrated electric utility. Under the leadership of the senior officer team, Palo Verde Generating Station has become one of the top performing nuclear power plants in the U.S. We have, over the long term, provided gains in shareholder returns and maintained high credit ratings.

During 2019, our total shareholder value underperformed our historical track record. Increased regulatory uncertainty impacted shareholder confidence. Our renewed focus on ensuring robust communication and collaboration with the ACC and other stakeholders has already put us on a more positive path forward for 2020. Although our total shareholder value underperformed, we achieved the following accomplishments in 2019, among others:

- Total shareholder value increased \$889.2 million in 2019, \$2.4 billion over the past three years, and \$4.0 billion over the past five years;
- Our TSR was 9.0%, 12.9%, 27.2% and 56.2% for the past one, two, three and five-year periods respectively;
- Pinnacle West increased its dividend for the 8th consecutive year, by 6% in 2019;
- · APS finished top quartile relative to peer electric utilities for OSHA recordable injury events;
- Pinnacle West was named to the Climate Change and Water Security "A Lists" by global environmental impact nonprofit CDP, the only U.S. electric utility and just 1 of 10 U.S. companies with A's in both categories; and
- Pinnacle West once again obtained an Environmental Sustainability and Governance "A" rating from MSCI (as of June 25, 2019).

2019 COMPENSATION PLAN

For 2019, the Company's core executive compensation program for our NEOs consisted of the following key components:

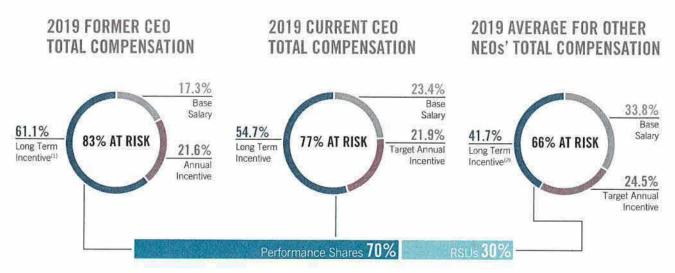
Pay Element	Measurement Period	Performance Link	Description nd responsibilities and is benchmarked to a peer
Cash		survey data to align with cor	
mm. Tara-dal		Earnings Former CEO ⁽¹⁾ : 62.5% Current CEO ⁽¹⁾ : 50.0% Other NEOs: 50.0%	Universal measure of business financial performance; encourages achievement of bottom-line earnings growth goals.
Cash	1 year	Business Unit Performance ⁽²⁾ Former CEO ⁽¹⁾ : 37.5% Current CEO ⁽¹⁾ : 50.0% Other NEOs: 50.0%	Pre-established operational business unit performance goals that include safety, customer satisfaction and operational quality and efficiency metrics.
Performance	M M 100 - 100 - 100 - 100 - 100 - 100 - 100 - 100 - 100 - 100 - 100 - 100 - 100 - 100 - 100 - 100 - 100 - 100 -	Relative TSR 50%	Relative measures incentivize sustained
Shares 70% ⁽³⁾	3 years	Relative Operational Performance ⁽⁴⁾ 50%	shareholder value creation and strong performance on operational benchmarks.
Restricted Stock Units 30% ⁽³⁾	Vest ratably over 4 years	Stock Price	Encourages retention; value dependent upon share price appreciation and four-year vesting to encourage retention.

- For fiscal year 2019, Mr. Brandt participated in the Pinnacle West 2019 CEO Annual Incentive Award Plan (the "CEO Incentive Plan"). Effective on November 15, 2019, Mr. Guldner, as Chairman of the Board, President, and Chief Executive Officer of PNW and APS, continued to participate in the APS 2019 Annual Incentive Award Plan (the "APS Plan") and did not participate in the CEO Incentive Plan. However, the APS Plan was amended so that the portion of Mr. Guldner's incentive opportunity tied to earnings was based on PNW earnings and not APS earnings. For additional details regarding Mr. Guldner's incentive award for 2019, please refer to pages 61 and 67.
- Based on the following business units, as applicable: Corporate Resources (Enterprise Security; External Affairs; Facilities, Supply Chain and Transportation ("FaST"); Finance/Accounting; Human Resources; Information Technology; Legal; Regulatory; Resource Management; and Sustainability), Palo Verde, Customer Service, Fossil Generation, and Transmission and Distribution. For additional details regarding our goal-setting process and the specific business unit goals for 2019, please refer to pages 66-71.
- For all of our officers other than our CEO and our Executive Vice Presidents, our annual long-term equity awards were granted 60% to performance-based measures and 40% to time-based vesting.
- Based on the following benchmarks: Customer reliability, customer-to-employee improvement ratio, Occupational Safety and Health Administration ("OSHA") all incident injury rate, nuclear capacity factor, and coal capacity factor; all of which are based on comparisons to companies selected by independent, objective data providers. For additional details regarding our goal-setting process and the specific relative long-term operational goals for 2019 performance share awards, please refer to page 73.

PAY AT RISK

The Company believes that a significant portion of each NEO's total compensation opportunity should reflect both upside potential and downside risk.

The charts below illustrate the strong emphasis that we place on performance-based, shareholder-aligned incentive compensation:



Excludes 2017 CEO Performance-Contingent Award (defined and described below on pages 55 and 75).

EXECUTIVE COMPENSATION ENHANCEMENTS

We are committed to actively engaging with our shareholders and to make changes to our compensation program to ensure that it represents our strong commitment to our pay-for-performance philosophy. Over the past several years, we have undertaken the following enhancements:

Enhanced Rigor of Performance-Based Plans

 Increased relative TSR-based performance share outperformance for target vesting to the 55th percentile or higher (up from the 50th percentile) for our CEO and Executive Vice Presidents, starting with the 2020 grant.

Increased Percentage of At-Risk Compensation

 Performance shares for our CEO and Executive Vice Presidents have increased from 55% of long-term incentive to 70% of long-term incentive since 2016

Changes to CEO Compensation

- Discontinued the use of a separate CEO incentive plan to simplify reporting across the executive team starting in 2020
- Lowered CEO target amount to 110% of base salary from previous midpoint of 125% of base salary
- Committed to no further CEO retention grants for Mr. Brandt

Adopted Clawback Provisions

 Adopted a formal clawback policy covering short- and long-term incentive awards beginning in 2018, with separate clawback provisions added to performance shares and annual incentive plan awards in 2016

⁽²⁾ Mr. Smith's annual awards were 60% Performance Shares and 40% RSUs.

EXECUTIVE COMPENSATION

In the spring of 2019, we committed to make some of the changes to our compensation program as highlighted above. These changes were well-received by our shareholders and in 2019 our say-on-pay vote received a "for" vote of 96%. Given the shareholder support of our compensation program that was evidenced by the 2019 vote results, we implemented the changes we had committed to making but we didn't make any additional changes to our compensation program as a result of the say-on-pay vote.

KEY 2019 COMPENSATION DECISIONS

For fiscal year 2019, the Human Resources Committee (for purposes of the CD&A, the "Committee"), or the Board acting on the Committee's recommendation, approved the following compensation for our NEOs:

2019 BASE SALARY ADJUSTMENTS

For fiscal year 2019, the Committee increased Mr. Brandt's salary by 3.2% and the Board, acting on the Committee's recommendation, increased Messrs. Hatfield's, Bement's, Froetscher's and Smith's base salary between 3.2%-9.1%. Mr. Guldner also received promotional increases in January and November of 2019 in recognition of his advancements to Executive Vice President, Public Policy of PNW and President of APS and then to Chairman of the Board, President and Chief Executive Officer of PNW and Chairman of the Board and Chief Executive Officer of APS, respectively.

2019 ANNUAL INCENTIVE AWARD

Our 2019 annual incentive performance goals were set within the context of the business and economic circumstances known at that time. As a regulated utility, we are generally unable to adjust our base retail prices outside of a rate case. As such, in years in which we do not expect a retail rate adjustment, changes in our revenues over the previous year would depend largely on factors beyond our control, such as customer growth, weather and customer usage patterns.

Consistent with this methodology, we set the APS earnings target at \$538 million for 2019, relatively flat to the 2018 actual incentive earnings of \$537.2 million. Likewise, we set Pinnacle's 2019 target earnings range such that its projected midpoint was \$515 million, compared to Pinnacle's 2018 actual incentive earnings of \$511 million. In both cases, the earnings goals were set to reflect modest sales growth and continued focus on effective cost controls.

Actual earnings for APS and Pinnacle West for incentive plan purposes were 9% and 12% below the 2019 target payouts, respectively, as shown on pages 66 and 67. The decrease in 2019 earnings was driven in part by mild weather and lower sales growth, partially offset by effective cost controls.

The 2019 operational business unit performance goals were evaluated and revised in certain key business areas to better align with our priorities and emphasize top-quartile or above performance. The average of all business unit metric performance for 2019 was 115% of target compared to 122% of target in 2018 (see page 65 for a table summarizing 2019 through 2018 business unit metric performance).

2019 LONG-TERM INCENTIVE AWARDS

Our long-term equity incentive compensation is intended to align the interests of executives and our shareholders and increase the long-term shareholder value while also offering an award opportunity that helps attract and retain qualified, experienced executives. The 2019 long-term incentive grant awarded to Mr. Bement was increased to better align his award amount to competitive market data and Mr. Guldner's grant was increased in recognition of his expanded responsibilities due to his promotion to

Executive Vice President, Public Policy and President of APS. For all other NEOs, we granted the annual awards consistent with our long-term equity incentive compensation determination process as described on page 72.

2017 CEO PERFORMANCE-CONTINGENT AWARD

In March 2017, the Committee granted Mr. Brandt a two-year, performance-based cash award ("2017 CEO Performance-Contingent Award"). This award was designed to incent Mr. Brandt, a retirement eligible CEO, to remain in his current role while further emphasizing the Board's succession planning priorities. The 2017 CEO Performance-Contingent Award was subject to clearly-defined performance goals. The return on equity and earnings conditions were achieved, and consistent with the award agreement, the Corporate Governance Committee assessed Mr. Brandt's performance with respect to the succession and development actions and concluded that Mr. Brandt had successfully completed those actions, all as detailed further on pages 75-76 of this Proxy Statement. On February 19, 2019, the Committee approved a \$4 million payment to Mr. Brandt based on the achievement of the specified performance goals. An amount of \$2 million of the 2017 CEO Performance-Contingent Award was included in the Summary Compensation Table for 2018. The remaining \$2 million was included in the Summary Compensation Table in the column under "Non-Equity Incentive Plan Compensation" for 2019. In 2019, the Committee committee to making no further retention grants to Mr. Brandt.

COMPENSATION GOVERNANCE

Our executive compensation program is overseen by the Committee. Through ongoing shareholder engagement and regular assessment of our compensation governance practices, we seek to continue to improve our compensation governance:



COMPENSATION GOVERNANCE

- Shareholder feedback informs compensation program design
- Substantial proportion of target compensation is at risk (83% for the former CEO, 77% for the current CEO and 66% for other NEOs)
- Performance shares are 100% tied to relative performance (50% on relative TSR and 50% on relative operational metrics) and require 90th percentile performance for maximum payouts
- No excise tax gross-up provisions in new or materially amended Change of Control Agreements (defined below) with our NEOs
- Anti-hedging policy for all Directors, officers and all employees and anti-pledging policy for all Directors and officers
- Stock ownership guidelines for all NEOs (all NEOs are in compliance with the stock ownership guidelines)
- Clawback policy for our current or former executive officers covering short- and long-term incentive awards

Our Philosophy and Objectives

Our compensation program is designed to be transparent with a clear emphasis on putting pay at risk and retaining key executives. Our executive compensation philosophy incorporates the following core principles and objectives:

- Alignment with Shareholder Interests. We structure our annual cash and long-term equity incentive
 compensation to put pay at risk and reward business performance. Payouts under these plans are
 tied predominantly to the Company's total return to shareholders, earnings, and the achievement of
 measurable and sustainable business and individual goals, so that executives' interests are tied to the
 success of the Company and are aligned with those of our shareholders.
- Key Management Retention. We structure our program to provide compensation at levels necessary
 to attract, engage and retain an experienced management team who have the skill sets and
 industry experience to succeed in our complex operating and regulatory environment, including
 operating the Palo Verde Generating Station, and who can provide consistently strong operating and
 financial results.

Setting Executive Compensation

THE HUMAN RESOURCES COMMITTEE

The Committee monitors executive officer compensation throughout the year and undertakes a thorough analysis of our executive officer compensation each fall. This review includes consideration of competitive positions relative to specified labor markets, the mix of compensation components, performance requirements, the portion of pay at risk and tied to performance, and individual performance evaluations. From December through February, the Committee considers and approves executive officer compensation, including salary and cash and non-cash incentives. The Committee makes all compensation decisions relating to our CEO's compensation, makes awards under the 2012 Plan, and determines the awards under the 2019 Incentive Plans (defined below). The Committee recommends other executive officer compensation decisions, which are approved by the Board for Pinnacle West officers and the Board of Directors of APS for APS officers.

ROLE OF EXECUTIVE OFFICERS IN DETERMINING EXECUTIVE COMPENSATION

Management works with the Committee in establishing the agenda for Committee meetings and in preparing meeting information. Management conducts evaluations and provides information on the performance of the executive officers for the Committee's consideration and provides such other information as the Committee may request. Management also assists the Committee in recommending: salary levels; annual incentive plan structure and design, including earnings and business unit performance targets or other goals; long-term incentive plan structure and design, including award levels; and the type, structure, and amount of other awards. The executive officers are available to the Committee's compensation consultant to provide information as requested by the consultant. At the request of the Chair of the Committee, the CEO or other officers may attend and participate in portions of the Committee's meetings.

ROLE OF COMPENSATION CONSULTANTS

The Committee's charter gives the Committee the sole authority to retain and terminate any consulting firm used by the Committee in evaluating non-employee director and officer compensation. The Committee engaged Frederic W. Cook & Co. to assist the Committee in its evaluation of 2019 compensation for our executive officers (the "Consultant"). The Consultant does not provide any other services to the Company or its affiliates. The Committee has assessed the independence of the Consultant and has concluded that the Consultant is an independent consultant to the Committee as determined under the NYSE rules. The Committee instructed the Consultant to prepare a competitive analysis of the compensation of the executive officers of the Company and of APS, and to make recommendations for changes to the existing compensation program, if warranted.

PAY COMPARISONS

In evaluating compensation for the NEOs, the Committee takes into account analysis provided by the Consultant and its recommendations regarding the competitiveness and structure of compensation. The Committee considers the competitive market data presented by the Consultant as an important reference point to assure the Committee of the reasonableness of compensation levels and programs provided to executive management; however, actual compensation levels also take into account the individual executives and their responsibilities, skills, expertise, value added, as well as the competitive marketplace for executive talent.

CONSULTANT'S REPORT

The Consultant reviewed our executive compensation practices and considered the extent to which these practices support our executive compensation objectives and philosophy. As part of this study, the Consultant performed competitive pay comparisons for our executive officers based on three data sets:

Peer Group (33%)(1)

2017/2018 compensation information as disclosed in 2018 SEC filings for the Peer Group (as described below)

General Industry Data (33%)(1)

Based on surveys published by Aon Hewitt (averaging data for companies in the \$2.5B-\$5B revenue and \$5B-\$10B revenue brackets) and Willis Towers Watson PLC ("Towers Watson") (averaging data for companies in the \$3B-\$6B revenue and \$6B-\$10B revenue brackets)

Industry-Specific Data (33%)(1)

From the Towers Watson Energy Services Industry Survey (reflecting the average between companies in the \$3B-\$6B revenue bracket and companies with revenues greater than \$6B)

From these sources, the Consultant developed a consensus in which the competitive industry comparison for Messrs. Brandt, Guldner, Hatfield, and Smith reflects a weighting of one-third peer group proxy statement data, one-third Energy Services Industry Survey, and one-third general industry surveys. Messrs. Bement and Froetscher did not have a general industry survey match, so the competitive industry comparisons reflect an average of the peer group proxy statement data and Energy Services Industry Survey data for each position. Compensation levels were updated to 2019 based on projected executive level market movement from major salary planning surveys selected by the Consultant.

Reflects weightings used for Messrs. Brandt, Guldner (for both roles in 2019), Hatfield, and Smith. Weightings for Messrs. Bement and Froetscher are discussed below.

EXECUTIVE COMPENSATION

In providing information to the Committee with respect to setting 2019 compensation, the Consultant reviewed the total compensation levels of the NEOs and presented its analysis in October 2018. At this time, the Consultant also reviewed the individual elements of compensation, including the design of annual incentives and long-term incentives. In December 2018 and again in October 2019 the Consultant provided additional analysis for Mr. Guldner to support his promotions to Executive Vice President, Public Policy of PNW, President of APS, and to Chairman of the Board, President, and Chief Executive Officer of PNW and Chairman of the Board and Chief Executive Officer of APS.

In its analysis, the Consultant provided competitive findings for base salary, annual incentive, long-term equity incentives and target total direct compensation for the NEOs relative to the 25th, 50th and 75th percentile (the October 2019 analysis for Mr. Guldner considered the 25th percentile to median). The conclusions of the reports as to competitive pay comparisons of the NEOs for these compensation elements are as follows:

Name	Target Annual Cash (Salary + Target Annual Incentives)	Long-Term Incentives(1)	Target Total Direct Compensation(1)
Mr. Brandt	75 th percentile	25 th -50 th percentile	50th percentile
Mr. Guldner ⁽²⁾	25 th -50 th percentile	<25 th percentile	25th percentile
Mr. Hatfield	50 th percentile	25 th -50 th percentile	50 th percentile
Mr. Bement	75 th percentile	25 th percentile	50th percentile
Mr. Froetscher	50 th percentile	50 th -75 th percentile	50 th -75 th percentile
Mr. Smith	50 th percentile	25 th percentile	25th-50th percentile

Long-term incentive comparison excludes the annualized value of Mr. Brandt's 2017 CEO Performance-Contingent Award, a certain arrangement for Mr. Bement under the non-qualified deferred compensation plan and the annualized value of a long term incentive award granted to Mr. Smith upon hire; all are described later in this Proxy Statement on pages 75-76, 93, and 84 respectively.

APPLICATION OF THE COMMITTEE'S JUDGMENT

The analysis in the Consultant's report and its recommendations regarding the competitiveness and structure of compensation are factors that the Committee takes into account in its evaluation of compensation for the NEOs. The Committee considers the competitive market data presented by the Consultant as an important reference point to assure the Committee of the reasonableness of compensation levels and programs provided to executive management; however, actual compensation levels also take into account the individual executives and their responsibilities, skills, expertise, value added, as well as the competitive marketplace for executive talent.

Company, business unit, and individual officer performance, as well as compensation competitiveness, are the primary factors in determining the level of total direct compensation for the NEOs. While the Committee considers internal pay equity in making compensation decisions, we do not have a policy requiring any set levels of internal pay differentiation. Finally, the Committee evaluates other factors that it considers relevant, such as the financial condition of the Company and APS. The Company does not have a pre-established policy or target for allocation between cash and non-cash compensation or between short-term and long-term incentive compensation, although the Committee does allocate long-term awards between the two forms of equity grants.

This information reflects Mr. Guldner's position as Chairman of the Board, President and Chief Executive Officer of PNW and APS.

DETERMINING THE PEER GROUP

The Peer Group (defined below) used as one input in our pay comparison process is reviewed annually for its continued appropriateness. The Committee takes into consideration the scope and complexity of the Company's management responsibility and liability needs, including the following factors:

- Pinnacle West's operating subsidiary APS operates Palo Verde Generating Station, the largest nuclear power plant in the U.S., which has a \$1 billion annual budget, employs one-third of APS employees, and is subject to comprehensive and complex nuclear and environmental regulation;
- The management scope of Palo Verde Generating Station operations necessitates that the Company seeks talent from larger utilities, including those with significant nuclear operations and similar regulatory and business challenges; and
- APS has full operational control and legal responsibility for Palo Verde Generating Station, Four Corners Generating Station and Cholla Power Plant. This is an important factor because APS does not have 100% ownership of these stations and this operational responsibility would not be accounted for in standard measures of Pinnacle West's or APS's size.

Given these factors, we make certain adjustments to our size measure to account for our operational responsibilities, rather than solely ownership, to allow for more appropriate comparability of Pinnacle West to potential peer companies. In determining the composition of the Peer Group, we adjust our revenues to reflect our control and responsibility for Palo Verde Generating Station, Four Corners Generating Station and Cholla Power Plant. The number used for APS revenues is adjusted to take into account the revenues that are attributable to co-owned assets over which APS maintains full operational control and legal compliance responsibility. This adjustment resulted in a number of \$5.4 billion compared to its reported twelve months ended June 30, 2018 revenues of \$3.6 billion.

Within the range of potential peers based on adjusted revenues, the Peer Group below is then determined based on additional factors including:

- Scope of management complexity
- Nuclear operations
- Top industry talent (related to management complexity)
- Regulated vs. non-regulated operations
- Complexities of a challenging regulatory environment
- CEO/senior management leadership

As a result of such review, the Committee approved the use of the same peer group that was used in setting 2018 executive compensation. The Peer Group is broadly similar to the Company in scope and complexity of operations (taking into account nuclear operations, regulatory profile, and other quantitative and qualitative considerations) and positions the Company between the 25th percentile and median with respect to revenues (adjusted as explained above).

EXECUTIVE COMPENSATION

As outlined previously, peer proxy data is only one third of the compensation information that is referenced for our NEOs (except for Messrs. Bement and Froetscher, where peer proxy statement data is weighted at 50%). For setting 2019 compensation, the Peer Group consisted of the following predominantly rate-regulated utilities (the "Peer Group"):

Peer Group					
Alliant Energy Corporation	Edison International	PPL Corporation SCANA Corporation			
Ameren Corporation CMS Energy	Eversource Energy Hawaiian Electric	The Southern Company			
Consolidated Edison, Inc.	Industries, Inc.	WEC Energy Group, Inc.			
DTE Energy Company	NiSource Inc. OGE Energy Corp.	Xcel Energy, Inc.			

RISK MANAGEMENT AND ASSESSMENT

The Committee reviewed a compensation risk assessment conducted independently by the Consultant. The assessment focused on the design and application of the Company's executive compensation programs and whether such programs encourage excessive risk taking by executive officers. In addition, management advised the Committee that management has reviewed the overall compensation programs for the Company's employees and has concluded that the programs are balanced and do not encourage imprudent risk-taking. Management advised the Committee that non-executive employee compensation programs generally consist of the compensation components contained in the executive compensation programs. Based on the outcome of the Consultant assessment and the information from management, the Committee believes that the Company's compensation programs (i) do not motivate our executive officers or our non-executive employees to take excessive risks, (ii) are well designed to encourage behaviors aligned with the long-term interests of stockholders, and (iii) are not reasonably likely to have a material adverse effect on the Company.

Executive Compensation Components

BASE SALARY

Base salaries are set at competitive levels to attract and retain qualified, experienced executives. Salary levels are based on experience, performance and responsibilities, and benchmarked to the Peer Group and market survey data to align with competitive levels. The Committee reviews competitive salary information and individual salaries for executive officers on an annual basis. In considering individual salaries, the Committee reviews the scope of job responsibilities, individual contributions, business performance, retention concerns, and current compensation compared to market practices. In setting base salaries, the Committee also considers that base salary is used as the basis for calculating annual incentive awards.

In December of 2018, the Committee, based on the considerations set forth above, made the following adjustments to the base salaries of the following NEOs for fiscal year 2019:

Name	2018 Base Salary (\$)	2019 Base Salary (\$)
Mr. Brandt ⁽¹⁾	1,395,000	1,440,000
Mr. Guldner ⁽²⁾	575,000	730,000
Mr. Hatfield	665,000	686,000
Mr. Bement	625,000	645,000
Mr. Froetscher	500,000	540,000
Mr. Smith	550,000	600,000

Mr. Brandt retired on November 15, 2019.

ANNUAL CASH INCENTIVES

Our annual cash incentives are strongly performance-based and designed to both reward achievement of pre-determined annual performance objectives that are critical to our business operations and to attract and retain qualified, experienced executives. Performance for NEOs is measured based on relevant and objective earnings and business unit metrics.

- CEO. For fiscal year 2019, Mr. Brandt participated in the CEO Incentive Plan. From January 1, 2019 until November 15, 2019, Mr. Guldner participated in the APS Incentive Plan as President of APS and Executive Vice President Public Policy of Pinnacle West. From November 15, 2019 until December 31, 2019, Mr. Guldner, as Chairman of the Board, President and Chief Executive Officer of PNW and APS, continued to participate in the APS Incentive Plan but the award opportunities were based 50% on the achievement of specified 2019 Pinnacle West earnings levels and 50% on the achievement of performance goals established for business units of APS in the functional areas of customer service, transmission and distribution, fossil generation, corporate resources and the Palo Verde Generating Station.
- Other NEOs. Messrs. Hatfield, Froetscher and Smith participated in the APS Incentive Plan and Mr. Bement participated in the APS 2019 Annual Incentive Award Plan for Palo Verde Employees (the "Palo Verde Incentive Plan").

The APS Incentive Plan and the Palo Verde Incentive Plan are collectively referred to as the "APS Incentive Plans," and the APS Incentive Plans and the CEO Incentive Plan are collectively referred to as the "2019 Incentive Plans". In December 2018, the Committee approved the CEO Incentive Plan and the Board, on the recommendation of the Committee, approved the APS Incentive Plans for officers.

Mr. Guldner's salary increased to \$1,100,000 effective November 15, 2019 in recognition of his promotion to Chairman of the Board, President, and Chief Executive Officer of PNW and Chairman of the Board and CEO of APS.

2019 INCENTIVE PLAN OPPORTUNITIES

NEO	Threshold (% of Salary)	Target (% of Salary)	Maximum (% of Salary)	2019 Actual (% of Salary)	2019 Actual (\$)
Mr. Brandt	50	125(1)	200	126.2	1,588,248(2)
Mr. Guldner (as CEO)(3)	27.50	110	220	13.4	147,242(4)
Mr. Guldner (as President)(3)	22.50	90	180	69.4	506,859(4)
Mr. Hatfield	18.75	75	150	77.9	534,128
Mr. Bement	18.75	75	150	94.4	608,630
Mr. Froetscher	18.75	75	150	67.1	362,232(4)
Mr. Smith	16.25	65	130	68.1	408,330

Reflects a representative target amount under the CEO Incentive Plan — the Committee structured the CEO Incentive Plan so that if Pinnacle West earnings came in at the mid-point between threshold and maximum amounts and each business unit achieved its target performance levels, Mr. Brandt would receive an incentive award equal to 125% of his 2019 base salary.

ASSESSING PERFORMANCE AND PAYOUTS

The Board oversees the Company's business strategy. The Company maintains a rigorous performance goal-setting process wherein goals are set based on our annual business planning process and reviewed for relevance and appropriate alignment with our business strategy. This goal-setting approach is integrated into our performance tracking and business reporting, providing a clear line of sight across the Company on an ongoing basis.

The Committee annually reviews the metrics utilized under the annual cash incentive plans to ensure that they remain relevant, with target performance goals set at levels that are intended to be challenging without incentivizing inappropriate risk taking.

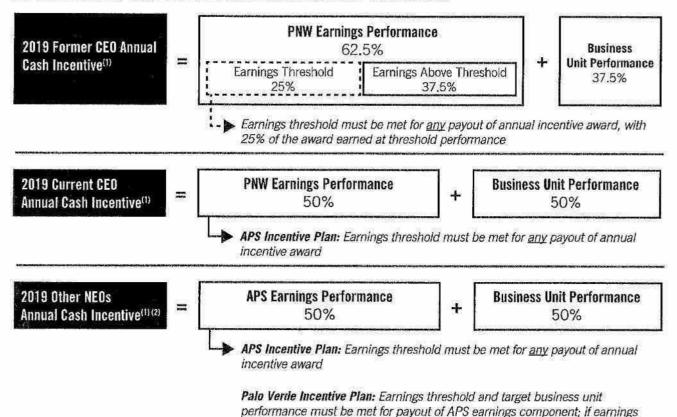
Individual awards under our annual cash incentive plans are based on the achievement of relevant and objective earnings and business unit goals, which tie payouts directly to core measures of business performance and key operational business unit results and ultimately serve to enhance shareholder value.

This amount is the prorated amount of the incentive award because since Mr. Brandt retired during 2019, he was only eligible to receive a prorated amount of the award based on the amount of time Mr. Brandt was employed during 2019.

⁽³⁾ Reflects the amounts associated with each position Mr. Guldner held during 2019.

⁽⁴⁾ Messrs. Guldner and Froetscher elected not to receive a payout for the Customer Service business unit under the APS Incentive Plan and the amount in this column reflects a zero payout for this business unit.

2019 ANNUAL INCENTIVE PLAN COMPONENT SUMMARY



performance component

threshold is not met, there can still be a payout under the business unit

(i) Weightings are shown as a percentage of total incentive opportunity.

⁽²⁾ Includes Mr. Guldner's participation as President.

EARNINGS COMPONENT TARGET SETTING

In designing the annual cash incentives, the Committee sets earnings levels based on a reasonable range of expectations for the year, while taking into account prior year performance and economic conditions.

Due to the regulated nature of the utility industry, earnings growth is impacted by the base rates approved by regulators. Given that the rates we charge customers are generally fixed for several years, our revenue streams don't increase in a linear year-over-year fashion. As a result, our annual earnings are impacted by our ability to manage costs associated with our operations and investments while our revenues typically remain relatively flat in years following a rate adjustment. Furthermore, planned outages, weather patterns and varying electricity demand can lead to cyclical earnings fluctuations. These factors are considered in our annual business planning and ultimately reflected in the earnings targets that are approved by the Committee.

2019 Earnings Goals

For fiscal year 2019, the Committee set threshold, target and maximum Pinnacle West and APS earnings goals to reflect modest sales growth and continued focus on effective cost controls. We set the APS earnings target at \$538 million for 2019, relatively flat to 2018 actual incentive earnings of \$537.2 million. Likewise, we set Pinnacle West's 2019 target earnings range such that its projected midpoint was \$515 million, compared to Pinnacle West's 2018 actual incentive earnings of \$511 million.

BUSINESS UNIT COMPONENT TARGET SETTING

The business unit metrics component of our annual plan ensures that our compensation program appropriately focuses our employees on core measures of overall Company health and performance. Our use of business unit metrics in our NEOs' incentive plans promotes our continued success as a safe, sustainable, and overall well-run vertically-integrated and regulated electric utility.

Determination Process

The determination of business unit metrics and targets is a year-long, multi-step process guided by our strategic priorities. The Board oversees the Company's business strategy. The Company maintains a rigorous performance goal-setting process wherein goals are set based on our annual business planning process and reviewed for relevance and appropriate alignment with our business strategy. Individual business unit targets are developed using a variety of methods depending on the metric under consideration, including internal trends, external considerations, opportunities to improve performance, and use of industry benchmark data. Targets are intended to incentivize performance while still being attainable. The business unit metrics and targets are then shared and discussed with the Committee and the Board before final metrics and targets are approved by the Committee and the Board.

March-April	April-June	July-November	December
Corporate Business Priorities	Identify Areas of Focus	Goal-Setting	Committee and Board Approval of Metrics/
Each year our executive officers and senior management determine the annual strategic plan and critical areas of focus to align with our ongoing strategy	Guided by the annual strategic plan and the critical areas of focus, business units identify business unit-level metrics which tier up to support the broader business priorities for the year	 Several metrics are set with reference to industry-wide benchmarks where available, and are typically set at the top quartile Non-benchmarked metrics are designed to drive favorable trends based on historical internal data 	 The Committee and the Board reviews and discusses the metrics and targets provided by the business units The Committee and the Board approves final metrics and targets

Under the business unit components of the 2019 Incentive Plans, the range of potential achievement for each business unit metric was zero to 200% of the target level. Within that range, a target level of achievement provided for a 100% payout, a threshold level provided for a 50% of target payout and a maximum level provided for a 200% of target payout. Performance below the threshold level resulted in a zero payout. Performance above the maximum level resulted in achievement of 200% of target. If performance fell between threshold and target or between target and maximum, linear interpolation was used to determine the actual percentage of target performance achieved.

2019 Business Unit Goals

The 2019 Incentive Plans measured NEOs on pre-established business unit performance in up to five key areas: Corporate Resources, Customer Service, Fossil Generation, Palo Verde, and Transmission and Distribution. Within each of these categories are specific metrics designed to incentivize achievements in operational excellence, customer and communities, safety and employee performance, and cost management, ultimately resulting in shareholder value creation.

The CEO was evaluated against metrics within each of these five categories to tie the CEO's incentive to overall operational performance of the Company, and not to emphasize any one unit's performance over the others. Other NEOs were evaluated based on performance in the business units that correlate to their responsibilities.

See "Business Unit Components Under the 2019 Incentive Plans" on page 69 for additional details regarding the metrics, targets and achievement levels for each business unit. We have revised our 2019 metrics in certain key business units to more closely align with our priorities and emphasize top quartile performance and/or improve on historical trends, with year-over-year backtesting conducted to ensure that we are maintaining or increasing the rigor of our goals. The 2019 average of all business unit metrics performance for 2019 was 115% compared to 122% in 2018.

	Business Unit Performance							
	Corporate Resources (%)	Customer Service (%)	Fossil Generation (%)	Palo Verde (%)	Transmission/ Distribution (%)	Average (%)		
2019 Results	121	63	131	161	100	115		
2018 Results	127	133	115	121	116	122		

2019 ANNUAL CASH INCENTIVE OUTCOMES

CEO Incentive Plan

EARNINGS COMPONENT

For Mr. Brandt, the earnings portion of the annual cash incentive was determined based on Pinnacle West earnings. The component was weighted at 62.5% of the award, with 25% of the award (50% of base salary) earned based on achievement of threshold performance. The CEO Incentive Plan provided that if the threshold earnings number is not met, no incentive payment will be awarded, regardless of business unit performance.

Under the terms of the CEO Incentive Plan, earnings calculations are made excluding the impact of rate adjustments related to actions of the ACC within the plan year, and the Committee evaluates the impacts of unusual or non-recurring adjustments on actual earnings and may make adjustments to reflect such impacts. As such, the Committee adjusted the Pinnacle West earnings number to exclude primarily the effect of the timing of an ACC decision related to the installation of the Four Corners selective catalytic reduction equipment deferrals and the refund of excess deferred taxes related to the 2017 Tax Cuts and Job Act. The net effect of these adjustments was a reduction in Pinnacle West earnings from \$538.3 to \$508.4.

		Performance (in million	s)
Metric	Threshold	Midpoint	Maximum
PNW Earnings	\$508.4 2019 Actual		
	\$461	\$515 ⁽¹⁾	\$569

Reflects a representative target amount under the CEO Incentive Plan — the Committee structured the CEO Incentive Plan so that if Pinnacle West earnings came in at the mid-point between threshold and maximum amounts and each business unit achieved its target performance levels, Mr. Brandt would receive an incentive award equal to 125% of his 2019 base salary.

BUSINESS UNIT COMPONENT

As noted above, Mr. Brandt was evaluated against metrics within each of the five business unit areas to tie his incentive to overall operational performance. The business unit component of the CEO Incentive Plan was weighted at 37.5% of the award.

See "Business Unit Components Under the 2019 Incentive Plans" on page 69 for detailed goals and achievement levels for each business unit.

2019 CEO Incentive Plan Results

The metrics, weightings, and results for Mr. Brandt under the 2019 CEO Incentive Plan are outlined below:

NEO		3 (1)	37.5	5% Business (Unit Perfo	ттапсе	W III
	The state of the s	Corporate Resources (%)	Customer Service (%)	Fossil Generation (%)	Palo Verde (%)	Transmission/ Distribution (%)	2019 Total (%)
Mr. Brandt	88(1)	121(2)	63	131	161	100	115
Weighting	(62.5)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)	(37.5)

⁽¹⁾ As a percentage of midpoint; and as noted above, midpoint reflects a representative target amount under the CEO Incentive Plan — the Committee structured the CEO Incentive Plan so that if Pinnacle West earnings came in at the mid-point between threshold and maximum amounts and each business unit achieved its target performance levels, Mr. Brandt would receive an incentive award equal to 125% of his 2019 base salary.

⁽²⁾ Reflects the average of all Corporate Resources business units.

Mr. Brandt's incentive award was determined exclusively based on the metrics set forth in the CEO Incentive Plan. Since Mr. Brandt retired during 2019, he received a prorated amount of the incentive award based on the amount of time Mr. Brandt was employed during 2019. The Committee did not exercise any discretion to make adjustments to the award other than the reduction to Pinnacle West earnings as noted above.

APS Incentive Plans

EARNINGS COMPONENT

For all NEOs other than the former and current CEO, the earnings portion of the annual cash incentive was weighted at 50% of the award and determined based on APS earnings. The APS Incentive Plan provided that if the threshold earnings number is not met, no incentive payment will be awarded, regardless of business unit performance.

From January 1, 2019 until November 15, 2019, Mr. Guldner participated in the APS Incentive Plan as President of APS and Executive Vice President Public Policy of Pinnacle West and the earnings portion of his annual cash incentive was weighted at 50% of the award and determined based on APS earnings. From November 15, 2019 until December 31, 2019, Mr. Guldner, as Chairman of the Board, President and Chief Executive Officer of PNW and APS, continued to participate in the APS Incentive Plan but the award opportunities were based 50% on the achievement of specified 2019 Pinnacle West earnings levels.

The Palo Verde Incentive Plan provided that if the threshold earnings number is not met, the APS earnings portion of the incentive payment will not be awarded. In addition, under the Palo Verde Incentive Plan, Palo Verde's overall business unit performance was required to achieve at least 100% of the target level for 2019 before Mr. Bement could receive any payout under the APS earnings portion.

Under the terms of the APS Incentive Plans, the Committee may adjust plan targets or incentive results and may make other changes to the plan deemed necessary or appropriate due to unanticipated events that arise during the performance period or unusual or non-recurring adjustments on actual earnings that arise during the performance period, including without limitation, ACC rate-related impacts on earnings. As such, the Committee adjusted the APS earnings number to exclude primarily the effect of the timing of an ACC decision related to the installation of the Four Corners selective catalytic reduction equipment deferrals and the refund of excess deferred taxes related to the 2017 Tax Cuts and Job Act. The net effect of these adjustments was a reduction in APS earnings from \$565.3 to \$533.1.

		Performance (in million	is)
Metric	Threshold	Target	Maximum
APS Earnings ⁽¹⁾	201	\$533.1 9 Actual	
	\$484	\$538	\$592

From November 15, 2019 until December 31, 2019, Mr. Guldner's award opportunities were based 50% on the achievement of the 2019 PNW earnings levels specified in the CEO Incentive Plan. See "CEO Incentive Plan" under 2019 Annual Cash Incentive Outcomes" on page 66 for the achievement level of this PNW earnings goal.

BUSINESS UNIT COMPONENT

As indicated above, NEOs other than the former and current CEO are evaluated based on performance in the business units that correlate to their responsibilities. The business unit component for each NEO other than the former CEO was weighted at 50%, with multiple business unit results averaged for applicable NEOs. The APS Incentive Plans allow the Committee to make adjustments for individual performance, and the Committee may exercise discretion under the APS Incentive Plans due to unanticipated events that might arise during the performance period. The Committee did not make any such adjustments for the NEOs in 2019.

From January 1, 2019 until November 15, 2019, Mr. Guldner participated in the APS Incentive Plan and the business unit portion of his annual cash incentive was weighted at 50%, with multiple business unit results averaged. From November 15, 2019 until December 31, 2019, Mr. Guldner continued to participate in the APS Incentive Plan but the business unit portion was based 50% on the achievement of performance goals established for business units of APS in the functional areas of customer service, transmission and distribution, fossil generation, corporate resources and the Palo Verde Generating Station.

See "Business Unit Components Under the 2019 Incentive Plans" on page 69 for detailed goals and achievement levels for each business unit.

2019 APS Incentive Plan Results

The metrics, weightings, and results for Messrs. Guldner, Hatfield, Froetscher, and Smith under the APS Incentive Plan, and Mr. Bement under the Palo Verde Incentive Plan, are outlined below:

		Table 1	50)% Business I	Jnit Perforn	nance	
NEO	50% Earnings (%) ⁽¹⁾	Corporate Resources (%)	Customer Service (%)	Fossil Generation (%)	Palo Verde (%)	Transmission/ Distribution (%)	2019 Total (%)
Mr. Guldner – CEO	88	113(2)	O ⁽³⁾	131	161	100	101
Weighting	(50.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(50.0)
Mr. Guldner – President	91	113	O ⁽³⁾	131		100	86
Weighting	(50.0)	(12.5)	(12.5)	(12.5)		(12.5)	(50.0)
Mr. Hatfield	91	116(4)			-001-001-001-001-001-001	Mary 114, mary and 114, 114, 114, 114, 114, 114, 114, 114	116
Weighting	(50.0)	(50.0)	DEDINACIONICE CONTRACTORIO				(50.0)
Mr. Bement	91				161		161
Weighting	(50.0)	WILLIAM HAVE AND THE TOTAL TOT			(50.0)		(50.0)
Mr. Froetscher	91	121(5)	O (3)	131		100	88
Weighting	(50.0)	(12.5)	(12.5)	(12.5)		(12.5)	(50.0)
Mr. Smith	91	118(6)				***************************************	118
Weighting	(50.0)	(50.0)			denning in the	***************************************	(50.0)

Reflects PNW earnings for Mr. Guldner as CEO and APS earnings for all others.

⁽²⁾ Reflects the average of all Corporate Resources business units.

⁽³⁾ Messrs, Guldner and Froetscher elected not to receive a payout for the Customer Service business unit under the APS Incentive Plan.

Reflects the average of the following Corporate Resources business units: Finance/Accounting, Human Resources and Information Technology.

Reflects the average of the following Corporate Resources business units: Enterprise Security, Resource Management, FaST and Sustainability.

⁽⁶⁾ Reflects the Legal Corporate Resources business unit.

BUSINESS UNIT COMPONENTS UNDER THE 2019 INCENTIVE PLANS

The following table summarizes the metrics used for each business unit, in addition to individual weightings, targets, and 2019 results. The percentage of target performance achieved reflects the comparison of our actual achievement of a particular measure for 2019 to the target established for that measure.

Business Unit Measures and Weighting	Measure	Target	Actual Results	% of Target Performance Achieved
Corporate Resources	Affairs; Finance/Accounting; Human Resources; Leg		100000	118
Employees (15%)	OSHA Recordables (Company) (10%)	28	41	0
	DART (Days Away Restricted and/or Transferred) Cases (5%)	15	24	0
Operational Excellence (60%)	Average of All Business Unit Results(1) (60%)	100%	114%	114
Shareholder Value (25%)	Total Corporate Resources O&M Budget (25%)	Budget	2.2% Under Budget	200
Corporate Resources (Informa	tion Technology)			113
Employees (15%)	OSHA Recordables (Company) (10%)	28	41	0
7	DART (Days Away Restricted and/or Transferred) Cases (5%)	15	24	0
Operational Excellence (70%)	Average of All Business Unit Results(1) (40%)	100%	114%	114
2	Safety and Mission Critical System Cumulative Availability (10%)	99.965%	99.992%	200
	IT Event Clock Resets (10%)	9	9	100
	Capital Project Execution (10%)	96%	94%	75
Shareholder Value (15%) Total Corporate Resources O&M Budget (15%)		Budget	2.2% Under Budget	200
Corporate Resources (Resourc	e Management)			160
Employees (15%)	OSHA Recordables (Company) (10%)	28	41	0
	DART (Days Away Restricted and/or Transferred) Cases (5%)	15	24	0
Operational Excellence (35%)	ERMG Violations (20%)	2	0	200
	Day Ahead Energy Forecast (% Deviation) (15%)	1.80%	1.23%	200
Customer Value (35%)	Passing EIM T-55 Hourly Balancing Test (20%)	95%	96%	150
	Deal Entry Accuracy (15%)	98%	99%	200
Shareholder Value (15%)	Total Corporate Resources O&M Budget (15%)	Budget	2.2% Under Budget	200
Corporate Resources (FaST)				113
Employees (15%)	OSHA Recordables (Company) (10%)	28	41	0
	DART (Days Away Restricted and/or Transferred) Cases (5%)	15	24	0
Operational Excellence (70%)	Average of All Business Unit Results(1) (60%)	100%	114%	114
	Capital Project Execution (10%)	96%	98%	150
Shareholder Value (15%)	older Value (15%) Total Corporate Resources O&M Budget (15%)		2.2% Under Budget	200
Palo Verde ⁽²⁾				161
Employees (35%)	Reactivity Management (7.5%)	95	97	200
	Site Safety Index (10%)	11	12	200
	OSHA Recordable Incidents (10%)	2	5	0
	Radiological Safety Focus Index (7.5%)	90	100	200
Operational Excellence (30%)	Site Capacity Factor (15%)	90.9%	92.6%	200
	Summer Reliability Capacity Factor (15%)	98.7%	98.5%	80

Business Unit Measures and Weighting	Measure	Target	Actual Results	% of Target Performance Achieved
Performance Improvement (15%)	Plant Health Committee (PHC) Level 4 Work Orders (2.5%)	90	100	200
ACC 280	Start-up CEI-R (PPB – Spring Outage) (2.5%)	≤4.0	2.12	200
***	Start-up CEI-R (PPB – Fall Outage) (2.5%)	≤4.0	3.55	145
-	CAP Quality Index, Funded 6/30 and 12/31 ⁽³⁾ (5%)	5 G/W; No Red	7 G/W >= 4 Green	200
***	Site Operational Focus Indicator, Funded 6/30 and 12/31 ⁽⁴⁾ (2.5%)	7 G/W; No Red	8 G/W >= 4 Green	200
Shareholder Value (20%)	O&M Budget (12.5%)	≤Budget	\$3.8M Under Budget	200
900	Capital Budget (5%)	≤Budget	\$2,4M Under Budget	200
4-1	Value Based Maintenance Savings (2.5%)	\$900K	\$1.0K Over Target	200
Customer Service				63
Employees (15%)	OSHA Recordable Incidents (Company) (10%)	28	41	0
77	DART (Days Away Restricted and/or Transferred) Cases (5%)	15	24	0
Operational Excellence (40%)	Self-Service Transactions per Customer (20%)	10.15	9.08	0
	Customer Call Abandon Rate (20%)	8.00%	7.46%	127
Customer Value (20%)	Customer Outcome Satisfaction – CCT (20%)	82.5%	84.7%	188
Shareholder Value (25%)	ue (25%) Customer Service O&M Budget (25%)		2.3% Over Budget	0
Fossil Generation - Average of	Plant and Corporate Engineering Results			131
Fossil Fleet Metrics (45%)	Fossil Fleet Metrics Applicable to Each Plant			
Vi	OSHA Recordable Incidents (10%)	3	9	0
	DART (Days Away Restricted and/or Transferred) Cases (5%)	2	5	0
	Capital Project Execution (10%)	96%	97%	125
	Reportable Environmental Incident (REI)(5) (10%)	0	0	200
	Net Operating Expense (10%)	Budget	3.7% Under Budget	200
Plant Level Metrics (55%)	Cholla Plant Total (Fleet and Plant Level Metrics)			146
	Plant Summertime Equivalent Availability Factor ⁽⁶⁾ (20%)	95.0%	99.1%	200
	Plant Work Mgt. T-0 Schedule Adherence (20%)	92.0%	92.9%	118
	Plant Event Free Clock Resets (15%)	3	2	200
	Four Corners Plant Total (Fleet and Plant Level Metrics)			151
	Plant Summertime Equivalent Availability Factor ⁽⁶⁾ (20%)	81.2%	92.0%	200
	Plant Work Mgt. T-0 Schedule Adherence (20%)	92.0%	94.2%	144
	Plant Event Free Clock Resets (15%)	3	2	200
	Ocotillo, Sundance, Saguaro, & Douglas Plants Total (Fleet and Plant Level Metrics)			118
	Plant Summertime Equivalent Availability Factor – Ocotillo GT3-7 ⁽⁶⁾ (15%)	93.8%	90.8%	0
*	Plant Startup Reliability – Ocotillo GT1-2, Sundance, Saguaro, and Fairview (15%)	99.5%	99.6%	133
-	Plant Work Mgt. T-0 Schedule Adherence (10%)	92.0%	94.7%	154
	Plant Event Free Clock Resets (15%)	2	1	200

Business Unit Measures and Weighting	Measure	Target	Actual Results	% of Target Performance Achieved
Plant Level Metrics (55%) (cont.)	Redhawk Plant Total (Fleet and Plant Level Metrics)			124
	Plant Summertime Equivalent Availability Factor ⁽⁶⁾ (20%)	97.8%	97.2%	85
	Plant Work Mgt. T-0 Schedule Adherence (20%)	92.0%	96.9%	198
99	Plant Event Free Clock Resets (15%)	1	1	100
	West Phoenix Plant Total (Fleet and Plant Level Metrics)			103
	Plant Summertime Equivalent Availability Factor ⁽⁶⁾ (CC5 & CC4) (15%)	93.9%	87.2%	0
N .	Plant Startup Reliability (CC1-3, GT1-2) (15%)	98.3%	99.0%	188
9	Plant Work Mgt. T-0 Schedule Adherence (10%)	92.0%	94.4%	148
	Plant Event Free Clock Resets (15%)	2	3	50
	Yucca Plant Total (Fleet and Plant Level Metrics)			149
8	Plant Startup Reliability (20%)	98.5%	99.3%	200
	Plant Work Mgt. T-0 Schedule Adherence (10%)	92.0%	97.6%	200
	Plant Summertime Equivalent Availability Factor ⁽⁶⁾ (10%)	95.2%	93.8%	65
	Plant Event Free Clock Resets (15%)	1	0	200
Employees (15%)	Corporate Engineering Total			126
	OSHA Recordable Incidents (10%)	3	9	0
	DART (Days Away Restricted and/or Transferred) Cases (5%)	2	5	Ō
Operational Excellence (75%)	Fleet Summertime Equivalent Availability Factor ⁽⁶⁾ (20%)	92.7%	92.7%	100
	G&O Start-up Reliability (10%)	98.7%	99.4%	188
	Engineering Event Free Clock Resets (15%)	2	1	200
	Capital Project Execution (30%)	96%	97%	125
Shareholder Value (10%)	Net Operating Expense (10%)	Budget	3.7% Under Budget	200
Transmission & Distribution				100
Employees (15%)	OSHA Recordable Incidents (10%)	19	21	67
	DART (Days Away Restricted and/or Transferred) Cases (5%)	10	14	0
Operational Excellence (65%)	System Average Interruption Frequency Index		TISE MAINE WHITE HAWAITH	
141	("SAIFI") - All Weather (15%)	0.84	0.84	100
	System Average Interruption Duration Index		 	
	("SAIDI") (15%)	79.00	86.84	72
	Human Performance Event Clock Resets (15%)	21	14	200
	Capital Project Execution (20%)	96%	96%	100
Shareholder Value (20%)	Transmission & Distribution O&M Budget (20%)	Budget	0.2% Over Budget	88

Average includes: Transmission/Distribution, Customer Service, Fossil Generation and Palo Verde.

⁽²⁾ Palo Verde business unit performance goals must achieve at least 100% payout overall before payment of the APS performance component

The CAP Quality Index reflects 6-month goals that are actualized and funded on June 30th and December 31st.

The Site Operational Focus Indicator reflects 6-month goals that are actualized and funded on June 30th and December 31st of the

Human Performance related only. If total fleet aggregate for this metric is greater than four, then there will be zero payout for this metric at each individual plant.

Summertime Equivalent Availability Factor (EAF) calculations from June - September.

LONG-TERM INCENTIVES

Our long-term equity incentive compensation is intended to align the interests of executives and our shareholders and increase long-term shareholder value while also offering an award opportunity that helps attract and retain qualified, experienced executives. The Company currently uses two types of equity awards: performance shares and RSUs. For our CEO and our Executive Vice Presidents, our annual long-term equity awards were granted 70% to performance-based measures and 30% to time-based vesting and for all other officers, 60% to performance-based measures and 40% to time-based vesting.

2019 LONG-TERM EQUITY INCENTIVE COMPONENT SUMMARY

Vehicle	% of Target Equity Pay Mix	Measurement Period	Performance Link
20 2 0000000 85486-16	70	3 years	Relative TSR (50%)
Performance Shares			Relative Operational Performance (50%)
RSUs	30	Vest ratably over 4 years	Stock Price

To determine the amount of performance share and RSU awards for the annual grants made in February of each year, the Committee first establishes a target compensation value for each officer that it wants to deliver through long-term equity award opportunities. The Committee considers various factors, including the retention value of the total compensation package, the long-term equity component in light of the competitive environment, and individual performance. The Committee also considers target value in light of the Company's achievement of earnings targets and overall performance. Once the target value is established, the Committee determines the number of shares subject to the awards by reference to the then-current market value of the Company's common stock and then allocated the 2019 awards 70% to performance shares and 30% to RSUs for the CEO and Executive Vice Presidents and 60% to performance shares and 40% to RSUs for all other officers.

The 2019 awards to the NEOs were as follows:

Name	Performance Shares – 70% (#)	RSUs - 30% (#)	Grant Date Value (\$)(1)
Mr. Brandt	33,980	14,564	4,400,514
Mr. Guldner	13,900	5,960	1,800,309
Mr. Hatfield	7,724	3,312	1,000,414
Mr. Bement	5,408	2,320	700,543
Mr. Froetscher	5,408	2,320	700,543
Mr. Smith ⁽²⁾	4,304	2,872	650,505

⁽i) For purposes of this table, Grant Date Value is equal to the total number of shares multiplied by the Company's closing stock price on the date of grant (\$90.65).

Mr. Smith's 2019 awards were 60% performance shares and 40% RSUs.

PERFORMANCE SHARES

We granted performance shares to our NEOs in February 2019 for a three-year performance period (the "2019 Performance Shares"), with two distinct elements — relative TSR and relative operational performance against five metrics.

Metrics	Weighting	Rationale & Performance Link
Relative TSR	50%	Links pay to key measure generating shareholder
Measures the Company's TSR performance against:		value relative to others in the industry
 S&P 1500 Super Composite Electric Utility Index (the "Index") 		
Relative Operational Performance	50%	Metrics are direct indicators of operational
Measures the Company's average percentile ranking in:		performance and provide a clear barometer of
Customer reliability		performance versus external benchmarks
 Customer-to-employee improvement ratio 		
 OSHA all incident injury rate 		
 Nuclear capacity factor 		
Coal capacity factor		

The Committee grants each award recipient a specified number of performance shares, which is considered the "Base Grant." Under each of the two performance elements, up to 100% of the Base Grant may be earned based on performance. The maximum award opportunity is 200% of the Base Grant, which reflects the sum of the maximum opportunities for performance against the two elements:

Relative Performance Scale for Each Element	Performance Share Payout for Each Element	Total Maximum Award Opportunity
90th Percentile or Greater	100% of the Base Grant	nio
75 th Percentile	75% of the Base Grant	200% of Base Grant
50th Percentile	50% of the Base Grant	(would require 90th percentile or greater performance for both relative TSR and
25 th Percentile	25% of the Base Grant	operational performance metrics)
Less than 25th Percentile	None	

TSR

TSR is the measure of a company's stock price appreciation plus dividends during the three-year performance period. We believe using TSR strengthens the link between officer performance and shareholder return. We anticipate that the common stock payout, if any, related to this element will be made in February 2022. Starting with the 2020 grants for our CEO and Executive Vice Presidents, the portion of the performance shares that are TSR based will vest at target only if the Company's three-year relative TSR performance equals or exceeds the 55th percentile of the Index. This represents a change from the Company's past awards, which vested at the median of the Index.

Operational Performance

The Company's "average performance" with respect to the metrics listed below will be the average of the Company's percentile ranking for each of these metrics during each of the three years of the performance period:

- The Company's percentile ranking based on customer reliability results relative to other companies reported in the Edison Electric Institute ("EEI") data;
- The Company's ranking for a customer-to-employee improvement ratio, based on data provided by S&P Global Market Intelligence ("Market Intelligence"), an independent third-party data system, relative to other companies reported in the Market Intelligence data;

- The Company's percentile ranking based on the OSHA rate (All Incident Injury Rate) relative to other companies reported in the EEI data;
- The Company's percentile ranking based on nuclear capacity factor relative to other companies reported in the Market Intelligence data; and
- The Company's percentile ranking based on coal capacity factor relative to other companies reported in the Market Intelligence data.

The metrics selected are direct indicators of key business performance success. The metrics can be readily benchmarked and provide a clear barometer of top-tier performance excellence. We believe a focus on these performance metrics over a three-year period aligns long-term compensation with key operational goals, thereby enhancing overall Company performance. We anticipate that the common stock payout, if any, related to this performance element will be made in October 2022.

The recipient must remain employed with the Company throughout the performance period, unless the recipient meets any of the exceptions described under "Potential Payments upon Termination or Change of Control."

A recipient of performance shares will receive additional shares of common stock equal to the amount of dividends that the recipient would have received had the recipient directly owned the shares from the date of grant to the date of payment, plus interest on such dividends at the rate of 5% per annum, compounded quarterly, divided by the fair market value of one share of stock on the date of the stock payout. This common stock is paid out only if the related common stock payout is made. The 2019 Performance Shares are not included in calculating pension benefits.

The 2019 Performance Shares are included in the Summary Compensation Table in the column under "Stock Awards" and in the Grants of Plan-Based Awards table.

Payouts of 2016 Plan Awards

In 2016, the Committee granted performance shares to the NEOs (with the exception of Mr. Smith who was not an employee at the time of the grant), based on relative TSR and relative operational performance. For the three-year period ended December 31, 2018, our TSR percentile was 64.7% compared to the companies in the Index. For the same period, our average performance percentile with respect to the 2016 performance metrics was 62.5% compared to the companies included in the operational performance metrics. The actual payout to each NEO is identified in the Option Exercises and Stock Vested table.

RSUs

We granted RSUs to our NEOs in February 2019. RSUs vest in equal 25% installments over four years if the award recipient remains employed by the Company or one of its subsidiaries unless the recipient meets any of the exceptions described under "Potential Payments upon Termination or Change of Control".

Each RSU represents the fair market value of one share of our common stock on the applicable vesting date, and the value rises and falls with the Company's stock price.

The 2019 RSUs are payable at the election of the participant made shortly after the date of the initial grant, either 100% in stock, 50% in cash and 50% in stock, or 100% in cash, and will vest each February 20 in an amount equal to the number of RSUs vesting on such date multiplied by the closing price of a share of our common stock on that date.

The RSUs accrue dividend rights on the vested RSUs, equal to the amount of dividends that the participant would have received had the participant directly owned stock equal to the number of

vested RSUs from the date of grant to the date of payment, plus interest at the rate of 5% per annum, compounded quarterly, with such amount paid either 100% in stock, 50% in cash and 50% in stock, or 100% in cash based on the participant's election as discussed above.

The 2019 RSUs are included in the Summary Compensation Table in the column under "Stock Awards" and in the Grants of Plan-Based Awards table. RSUs granted in previous years that vested in 2019 are identified in the Option Exercises and Stock Vested table.

SUPPLEMENTAL AWARD

2017 CEO Performance-Contingent Award

In March 2017, the Committee granted Mr. Brandt a two-year, performance-based cash award. This award was designed to incent Mr. Brandt, a retirement-eligible CEO, to remain in his current role while further emphasizing the Board's succession planning priorities. Given the specialized skill sets required of the senior management team in our industry and our Company, a major priority of the CEO is to ensure that the Company's existing succession strategy and workforce development pipeline is sufficiently robust and continues to be effective. The Committee believed that this award was critical to retaining a retirement-eligible CEO for what was perceived to be a multiple-year succession planning period.

The award was comprised of two tranches that were performance-conditioned on specific return on equity, earnings, and succession planning goals, with a maximum potential payout to Mr. Brandt of \$4 million:

STRUCTURE AND PERFORMANCE CRITERIA OF 2017 CEO PERFORMANCE-CONTINGENT AWARD

Hurdle	Tranche 1	Tranche 2	Performance Link
Minimum 8.00% return on equity ("ROE") condition (2017)	2017 earnings threshold of \$390 million	2018 earnings threshold of \$442 million	No portion of award payable if neither earnings thresholds are met If only one earnings threshold is met, 50% of the award may be earned subject to additional adjustments based on succession planning and development performance
No portion of award payable if ROE condition not met	2017 succession planning and development ("Year 1 Milestones")	2018 succession planning and development goals ("S/D Goals")	Full award subject to goals being satisfied

On February 20, 2018, the Committee determined that (i) the Company's ROE for the period beginning January 1, 2017 and ending December 31, 2017 was 10%, which exceeded the minimum ROE condition, (ii) the Company's 2017 earnings were \$488.5 million, which exceeded the 2017 earnings threshold, and (iii) the Year 1 Milestones had been met. On February 19, 2019, the Committee determined that (i) the Company's 2018 earnings were \$511 million, which exceeded the 2018 earnings threshold, and (ii) the S/D Goals had been met. Mr. Brandt was required to deliver to the Corporate Governance Committee at each of its meetings between February 2018 and February 2019 progress reports on the S/D Goals. The Corporate Governance Committee evaluated Mr. Brandt's performance and determined that the S/D Goals were met based on that (i) Mr. Brandt reported on the progress of identifying the succession candidates for the senior officer positions specified in the 2017 CEO Performance-Contingent Award that were not already identified as part of the Year 1 Milestones, or if there was not a suitable internal candidate, Mr. Brandt presented a candidate for consideration by the Board from an external search lead by Mr. Brandt, (ii) Mr. Brandt delivered a written report indicating the implementation of the succession/ development plans for the candidates for the senior officer positions specified in the 2017 CEO Performance-Contingent Award, including actual progress of such candidates against the activities detailed in the plans, (iii) Mr. Brandt delivered the assessments of the

senior officer candidates readiness to assume the new positions, (iv) Mr. Brandt delivered complete and thorough progress reports as required by the 2017 CEO Performance-Contingent Award, (v) the Company had devoted sufficient resources to the execution and development of the succession plans and external searches (if any), and (vi) the Corporate Governance Committee was satisfied with the overall progress on identifying suitable candidates for the senior officer positions specified in the 2017 CEO Performance-Contingent Award. The Committee reviewed the report of the Corporate Governance Committee and determined that the S/D Goals were met.

Based on the successful achievement of the performance criteria, the Committee approved awarding the full \$4 million performance-based cash award. Mr. Brandt was paid the \$4 million 2017 CEO Performance-Contingent Award on February 28, 2019.

An amount of \$2 million of the 2017 CEO Performance-Contingent Award is included in the Summary Compensation Table in the column under "Non-Equity Incentive Plan Compensation" for 2019. The other \$2 million of the 2017 CEO Performance-Contingent Award was included in the Summary Compensation Table for 2018 because, although no amount was paid to Mr. Brandt in 2018, in February of 2018 when the Committee determined that the (i) minimum ROE condition, (ii) 2017 earnings threshold and (iii) Year 1 Milestones each had been met, Mr. Brandt would have been owed \$2 million if he had retired from the Company in 2018. In 2019, the Committee committed to making no further retention grants to Mr. Brandt.

BENEFITS

PENSION PROGRAMS

The NEOs participate in the Pinnacle West Capital Corporation Retirement Plan (the "Retirement Plan") and the Supplemental Excess Benefit Retirement Plan (the "Supplemental Plan"). We describe these plans in more detail under "Discussion of Pension Benefits". The Company believes that the pension programs are important recruitment and retention tools.

DEFERRED COMPENSATION PROGRAM

The Company offers to its executive officers the ability, if the officer so chooses, to participate in a deferred compensation program. We describe our deferred compensation program in more detail under "Discussion of Nonqualified Deferred Compensation". We offer our deferred compensation program because the Committee believes that it is standard market practice to permit officers to defer some portion of their cash compensation. However, we generally consider the value in the deferred compensation plan to be the participant's own money and do not give this amount significant weight in making compensation decisions. A discretionary credit award under the deferred compensation plan for Mr. Bement is discussed under the heading "Discussion of Nonqualified Deferred Compensation".

CHANGE OF CONTROL AGREEMENTS

The Company maintains Key Executive Employment and Severance Agreements (the "Change of Control Agreements") for our officers, including the NEOs. Similar to our deferred compensation programs, Change of Control Agreements do not have a significant impact on compensation design. We discuss our Change of Control Agreements in more detail under "Potential Payments upon Termination or Change of Control." Our Change of Control Agreements are "double trigger" agreements that provide severance benefits if, during a specified period following a change of control, the Company terminates an employee without "cause" or the employee terminates employment "for good reason." We believe that the possibility of strategic transactions or unsolicited offers creates job uncertainty for executives, and that the Change of Control Agreements are effective tools to provide incentives for executives to stay with the

Company in light of these uncertainties. In addition, we believe that if the agreements are appropriately structured, they do not deter takeovers or disadvantage shareholders. Each agreement is terminable on notice given six months prior to each anniversary of the agreement.

In May 2009, in connection with a review of its executive compensation practices, the Company determined that, on a going-forward basis, it would no longer provide excise tax gross-up payments in new and materially amended Change of Control Agreements with its NEOs, but provided for an exception that gave the Company the ability to include a limited excise tax gross-up provision in connection with recruiting a new executive to the Company. In 2018, the Committee removed this exception.

In addition to the Change of Control Agreements described above, under the terms of our 2012 Plan awards are accelerated upon a change of control unless the Board chooses to override such provisions. In exercising its override authority, the Board must conclude, in good faith, that participants' awards will remain outstanding, be assumed, or be exchanged for new awards pursuant to a change of control, and that there will be no material impairment to either the value of the awards or the opportunity for future appreciation in respect of the awards.

PERQUISITES

We have had a long-standing practice of providing only limited perquisites to our executive officers. We describe our perquisites paid to each of the NEOs in footnote 6 to the Summary Compensation Table on page 81.

Other Considerations

STOCK OWNERSHIP AND RETENTION GUIDELINES

We believe that linking a significant portion of an officer's current and potential future net worth to the Company's success, as reflected in our stock price, helps to ensure that officers have a stake similar to that of our shareholders. Stock ownership guidelines also encourage the long-term management of the Company for the benefit of the shareholders.

The Company's Guidelines are based on the officer's position and his or her base salary. The ownership requirements are shown below in respect of the indicated officer position:

Officer	Multiple of Base Salary(1)		
Chief Executive Officer	5 times Base Salary		
APS President and all Executive and Senior Vice Presidents	2 times Base Salary		
All other Vice Presidents and Officers	1 times Base Salary		

Each officer is expected to meet his or her ownership requirement within five years following such officer's election (the "Phase-in Period"). In the event of (1) a promotion or a change in the Guidelines that would cause the officer to move into a higher multiple level or (2) a base salary increase of more than 20% over the officer's previous base salary, an officer will have an additional three-years to meet his or her applicable ownership requirement. If the officer does not attain compliance with his or her ownership requirement by the end of the Phase-in Period, any subsequent grants of equity compensation to such officer will be payable solely in shares of stock until the ownership requirement is met. Under the Guidelines, the CEO may grant exceptions for hardship and other special circumstances. The types of ownership arrangements counted toward the Guidelines are: common stock, whether held individually, jointly, or in trust with or for the benefit of an immediate family member; shares issued upon the vesting of RSUs or the payout of performance shares; and unvested RSUs to the extent they will result in the issuance of common stock to the officer.

Officers may not sell or otherwise transfer ("Dispose") any shares of Company stock received by them pursuant to any of the Company's compensation or benefit programs (net of shares sold or surrendered to meet tax withholding or exercise requirements) until his or her ownership requirement has been met. Mr. Brandt retired in November 2019 and is no longer subject to the Guidelines. All of the other NEOs are in compliance with the Guidelines.

PROHIBITION ON HEDGING AND PLEDGING

Directors, officers, and employees of the Company may not engage in any speculative trading, hedging, or derivative security transaction (including any financial instrument such as a prepaid variable forward contract, equity swap, collar, short-sales, or exchange fund) that involves or references Company securities. In addition, Directors and officers may not pledge, margin or otherwise grant an economic interest in any shares of Company stock.

CLAWBACK POLICY

Pinnacle West has a clawback policy that applies to specified current or former executive officers, including our NEOs. Under the policy, in the event of any material restatement of the consolidated financial statements of the Company and its subsidiaries within three years of the first public release or filing with the SEC, the Committee may, within 12 months after the material restatement, require forfeiture and/or return to the Company of all or a portion of the compensation vested, awarded or received under any bonus award, short-term incentive award, equity award (including any award of restricted stock, performance shares, phantom stock, deferred stock units or RSUs) or other award during the period subject to restatement and the 12-month period following the first public issuance or filing with the SEC of the financial statements that were restated, by any executive that the Committee determines has personally engaged in intentional misconduct that caused or partially caused the need for such restatement. Any forfeiture and/or return of compensation by an executive under the policy will be limited to the portion that the executive would not have received if the consolidated financial statements had been reported properly at the time of first public release or filing with the SEC. By accepting any award as to which this policy applies, each executive agrees to forfeit and/or return compensation to the Company as provided by the policy. The policy does not limit the ability of the Company to pursue forfeiture or reclaim payments under other legal rights.

TAXATION CONSIDERATIONS REGARDING EXECUTIVE COMPENSATION

Pursuant to Section 162(m) of the Internal Revenue Code (the "Code"), for federal income tax purposes, publicly-traded corporations generally are not permitted to deduct annual compensation in excess of \$1 million paid to any of certain top executives. The Committee and the Board may weigh the tax consequences of the total compensation program when setting the total compensation package for an officer. However, the Committee and the Board do not routinely apply the tax-deductibility rules to limit what they determine otherwise to be necessary and appropriate compensation awards or as a justification for awarding compensation below \$1 million.

As a result of changes made by the 2017 Tax Cuts and Jobs Act, certain "performance-based" compensation, which was excludible from the scope of Section 162(m) under prior law, must now be included in determining the \$1 million limitation unless it qualifies under a transition rule applicable to certain compensation arrangements in place as of November 2, 2017. In December 2019, the Internal Revenue Service released proposed regulations which provide additional guidance related to the transition rule. Based on these proposed regulations, the Company continues to believe that performance-based awards granted to our executive officers, and in place as of November 2, 2017, will be deductible under this transition rule. However, until the regulations are final, no assurance can be given that compensation intended to satisfy the requirements for this transition rule will in fact be deductible when paid. Further, the Committee reserves the right to modify compensation that was initially intended to be exempt from Section 162(m) if it determines that such modifications are consistent with the Company's business needs.

NEO Pay Summaries

The charts below illustrate the strong emphasis that we place on performance-based, shareholderaligned incentive compensation:

Donald E. Brandt

Former Chairman of the Board, President and Chief Executive Officer of PNW and Chairman of the Board and Chief Executive Officer of APS

2019 COMPENSATION (\$ MILLIONS)



Jeffrey B. Guldner

Chairman of the Board, President and Chief Executive Officer of PNW and Chairman of the Board and Chief Executive Officer of APS

2019 COMPENSATION (\$ MILLIONS)



James R. Hatfield

Executive Vice President, Chief Administrative Officer and Treasurer of PNW and APS

2019 COMPENSATION (\$ MILLIONS)



Robert S. Bement

Executive Vice President and Special Advisor to the Chief Executive Officer of APS

2019 COMPENSATION (\$ MILLIONS)



Daniel T. Froetscher

President and Chief Operating Officer of APS

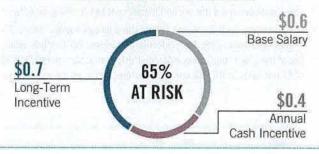
2019 COMPENSATION (\$ MILLIONS)



Robert E. Smith

Senior Vice President and General Counsel of PNW and APS

2019 COMPENSATION (\$ MILLIONS)



Messrs, Guldner and Froetscher elected not to receive a payout for the Customer Service business unit under the APS Incentive Plan and the amount in this chart reflects a zero payout for this business unit.

Executive Compensation Tables

Summary Compensation Table

The following table provides information concerning the total compensation earned or paid to the Company's NEOs:

Name and Principal Position	Year	Salary (\$) ⁽¹⁾	Bonus (\$) ⁽²⁾		Non-Equity Incentive Plan Compensation (\$) ⁽⁴⁾	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) ⁽⁵⁾	All Other Compensation (\$) ⁽⁶⁾	Total
Donald E. Brandt,	2019	1,308,521	0	4,451,654	3,588,248	2,853,134	49,057	12,250,614
Former Chairman of the Board,	2018	1,395,000	0	4,370,322	4,049,255	2,302,980	27,965	12,145,522
President and Chief Executive Officer of PNW and Chairman of the Board and Chief Executive Officer of APS	2017	1,355,000	0	4,374,133	2,314,340	2,462,556	27,410	10,533,439
Jeffrey B. Guldner,	2019	777,644	0	1,821,229	716,247(7)	551,217	26,711	3,893,048
Chairman of the Board, President and Chief Executive Officer of PNW and Chairman of the Board and Chief Executive Officer of APS		575,000	0	695,598	546,977	385,331	70	W 10
James R. Hatfield,(8)	2019	686,000	. 0	1,012,038	534,128	814,347	and the second s	
Executive Vice President, Chief	2018	665,000	0	993,403	678,799	602,445	34,934	2,974,581
Administrative Officer and Treasurer of PNW and APS	2017	640,000	0	894,969	673,994	599,183		
Robert S. Bement,	2019	645,000	0	708,683	610,430	882,965	26,380	2,873,458
Executive Vice President and	2018	625,000	0	596,071	633,028	654,685	326,125	2,834,909
Special Advisor to the Chief Executive Officer of APS	2017	600,000	0	596,805	793,800	662,448	35,108	2,688,161
Daniel T. Froetscher,	2019	540,000	0	708,683	397,771(7)	1,576,177	23,700	3,246,331
President and Chief Operating Officer of APS	2018	494,534	0	695,598	443,885	418,855	31,642	
Robert E. Smith, Senior Vice President and General Counsel of PNW and APS	2019	600,000	150,000	656,982	408,330	129,434	205,241	2,149,987

Mr. Brandt retired on November 15, 2019. Included in his salary is \$50,000 in consulting fees paid to him in 2019 pursuant to the Consulting Services Agreement (defined on page 84). Mr. Guldner's base salary increased from \$730,000 to \$1,100,000 on November 15, 2019 because of Mr. Guldner's promotion to Chairman of the Board, President, and Chief Executive Officer of PNW and APS.

The amounts in this column reflect the aggregate grant date fair value of performance shares and RSUs computed in accordance with FASB ASC Topic 718. For performance shares, 50% of the value reported is based on the probable outcome of the performance conditions as of the grant date using a Monte Carlo simulation model (\$93.66) and 50% is based on the closing price on the date of grant (\$90.65). The amounts in the column are allocated between the various equity grants as follows:

Name	RSUs (\$)	Performance Shares (\$)
Mr. Brandt	1,320,227	3,131,427
Mr. Guldner	540,274	1,280,955
Mr. Hatfield	300,233	711,805
Mr. Bement	210,308	498,375
Mr. Froetscher	210,308	498,375
Mr. Smith	260,347	396,635

⁽²⁾ Mr. Smith received the second installment of his hiring incentive of \$150,000 pursuant to his offer letter.

The aggregate grant date fair value of the performance shares granted in 2019 assuming the highest level of performance is achieved is as follows: Mr. Brandt — \$6,262,854; Mr. Guldner — \$2,561,909; Mr. Hatfield — \$1,423,611; Mr. Bement — \$996,748; Mr. Froetscher — \$996,748; and Mr. Smith — \$793,271. There were no forfeitures in 2019.

- These amounts represent the payments described under "Executive Compensation Components Annual Cash Incentives" in the CD&A, and, with respect to Mr. Brandt, includes \$2,000,000 of the 2017 CEO Performance-Contingent Award because on February 19, 2019, the Committee approved a \$4 million payment to Mr. Brandt based on the achievement of the specified performance goals. The remaining \$2 million was included in the Summary Compensation Table in 2018 because in February 2018 the Committee determined that the (i) minimum ROE condition, (ii) 2017 earnings threshold, and (iii) Year 1 Milestones, as defined in the award agreement, had been achieved (the 2017 CEO Performance-Contingent Award is described under "Executive Compensation Components Long-Term Incentives-Supplemental Awards" in the CD&A), and with respect to Mr. Bement, incentive payments received in connection with the outage incentive plans as follows: \$1,800 for the 2018 Fall, 2019 Spring and 2019 Fall refueling outages for Palo Verde Units 2, 1 and 3, respectively (collectively, the "Refueling Outages").
- The amounts in this column for 2019 consist of: (i) the estimated aggregate change in the actuarial present value from December 31, 2018 to December 31, 2019 of each of the NEO's accumulated benefits payable under all defined benefit and actuarial pension plans (including supplemental plans and employment agreements) as follows: Mr. Brandt \$2,690,103; Mr. Guldner \$502,787; Mr. Hatfield \$799,811; Mr. Bement \$708,381; Mr. Froetscher \$1,553,074 (Mr. Froetscher is currently eligible for retirement at a reduced benefit; however the amount represents the amount he would be entitled to receive at age 60, at which time he would receive the full retirement benefit); and Mr. Smith \$129,434; and (ii) the above-market portion of interest accrued under the deferred compensation plan as follows: Mr. Brandt \$163,031; Mr. Guldner \$48,430; Mr. Hatfield \$14,536; Mr. Bement \$174,584; and Mr. Froetscher \$23,103. The actuarial present value provided in this footnote is driven by certain assumptions, including the discount rate and the mortality assumption.
- (6) The amounts in this column include the following amounts for each of the NEOs for 2019:

Mr. Brandt:	
Company's contribution under the 401(k) plan	12,600
Company provided personal security	21,898
Perquisites and personal benefits consisting of a car allowance, executive physical and financial planning	14,559
Mr. Guldner:	,
Company's contribution under the 401(k) plan	12,600
Perquisites and personal benefits consisting of a car allowance and executive physical	14,111
Mr. Hatfield:	
Company's contribution under the 401(k) plan	12,600
 Perquisites and personal benefits consisting of a car allowance, executive physical and financial planning 	15,118
Mr. Bement:	
Company's contribution under the 401(k) plan	12,600
Perquisites and personal benefits consisting of a car allowance and executive physical	13,780
Mr. Froetscher:	With the second second
Company's contribution under the 401(k) plan	12,600
Perquisites and personal benefits consisting of a car allowance and financial planning	11,100
Mr. Smith:	
Company's contribution under the 401(k) plan	7,269
Perquisites and personal benefits consisting of a car allowance and financial planning	17,500
 Incremental cost of relocation expenses in connection with Mr. Smith's relocation to Phoenix, Arizona 	10,556
Tax gross-up relating to the relocation expenses	30,437
Fees and costs associated with the sale of Mr. Smith's home in connection with his relocation to Phoenix, Arizona	116,089
Fees and costs associated with the purchase of Mr. Smith's home in connection with his relocation to Phoenix, Arizona	23,390

Messrs, Guldner and Froetscher elected not to receive a payout for the Customer Service business unit under the APS Incentive Plan, but the amount in this column reflects the amount they would have received had they not made this election. The actual amounts received by Messrs, Guldner and Froetscher under the APS Incentive Plan were \$654,101 and \$362,232, respectively.

⁽⁸⁾ Mr. Hatfield served as Chief Financial Officer from July 2008 to January 2020.

Grants of Plan-Based Awards

			nated Possible Pay er Non-Equity Ince Plan Awards ^{ro}		Under f	d Future quity Inc	entive	All Other Stock Awards: Number of Shares of	of Stock
Name	Grant Date(t)	Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)		Maximum (#)		Awards ⁽³⁾ (\$)
Donald E. Brandt	TEATHAMPENE DO FREATHLEST DAS	629,260	2,049,255	2,517,041					
	02/19/2019(4)				16,990	33,980	67,960		3,131,427
	(PS)		((1) (1) (1) (1) (1) (1) (1) (1) (1) (1)		******************				
	02/19/2019(5)		NO. O. (NO. 101.000.) NO. (NO. 101.00.)					14,564	1,320,227
	(RSU)								
Jeffrey B. Guldner, CEO		6,050(6)	1,210,000(6)	2,420,000(6)	<u></u>		<u> </u>	Janus Janus Janus	
Jeffrey B. Guldner, President		3,285(6)	657,000 ⁽⁶⁾	1,314,000(6)					(2012-01-11-11-11-11-11-11-11-11-11-11-11-11-
	02/19/2019(4)				6,950	13,900	27,800	5	1,280,955
	(PS)								
	02/19/2019(5)							5,960	540,274
	(RSU)								
James R. Hatfield		2,573	514,500	1,029,000					
	02/19/2019(4)		1012-0 - 2009 42-200		3.862	7,724	15,448	<u> </u>	711,805
	(PS)	A						***************************************	
	02/19/2019(5)		Dec - A control of the second					3,312	300,233
	(RSU)		Varieties Albert van de Arten and Ar						
Robert S. Bement		2,419	483,750	967,500				Name of the State	
nonsit of outlook	02/19/2019(4)				2.704	5.408	10,816		498,375
	(PS)								
	02/19/2019(5)	NAL WALLEY WALLEY	ACCOUNT OF THE PARTY OF THE PAR	A				2,320	210,308
	(RSU)			2 - 2007	F870074				
			1,800(7)			WAY VALUE			
			1,800(7)					24.600	
Daniel T. Froetscher		2,025	405,000	810,000					
Damer 1. Procession	02/19/2019(4)	2,020	100,000	010,000	2 704	5 408	10,816	Y	498,375
	(PS)		t turn our management			91.00		in a manager many	
	02/19/2019(5)							2,320	210,308
	(RSU)	and the second second						_,0_0	220,030
Robert E. Smith	(1400)	1,950	390,000	780,000				VERWANN THE WA	
Robert L. Jillitii	02/19/2019(4)		330,000	7 00,000	2 152	4,304	8,608		396,635
	(PS)	-000-1-101-01-01-01-0			E,100	1,004	-,000	11711 - 111 - 111 1 1 1 1 1 1 1 1 1 1 1	030,000
	02/19/2019(5)				•••			2,872	260,347
	***************************************	-020211160311-22510-						2,012	200,347
	(RSU)					_			

⁽¹⁾ In this column the abbreviation "PS" means performance share awards and "RSU" means restricted stock unit awards.

- As required by SEC rules, the "Estimated Possible Payouts" represent the "threshold," "target," and "maximum" payouts the NEOs were eligible to receive under the 2019 Incentive Plans. The actual awards paid to the NEOs under the 2019 Incentive Plans are disclosed in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table. With respect to Messrs. Guldner, Halfield, Froetscher and Smith, the minimum amount each officer would have been eligible to receive was calculated based on earnings achieving 1% and no achievement of the business unit performance metrics. The minimum amount Mr. Bernent would have been eligible to receive was calculated based on the business unit performance metrics achieving 1% and no achievement of the APS earnings goals under the Palo Verde Incentive Plan. The CEO Incentive Plan does not specify a target opportunity. We calculated a representative target amount for Mr. Brandt by using the final results of the earnings and business unit components from 2018 (each of which were factors in Mr. Brandt's 2019 incentive award) to compute a hypothetical payout under the current 2019 CEO Incentive Plan. That hypothetical payout is used as a representative target amount. See "Executive Compensation Components Annual Cash Incentives" in the CD&A for additional information about the 2019 Incentive Plans.
- (3) The amounts in this column reflect the aggregate grant date fair value of performance shares and RSUs computed in accordance with FASB ASC Topic 718.
- This amount represents the 2019 Performance Shares described under "Executive Compensation Components Long-Term Incentives Performance Shares" in the CD&A. In accordance with FASB ASC Topic 718, 50% of the value is based on the probable outcome of the performance conditions as of the grant date using a Monte Carlo simulation model (\$93.66), while the other 50% is based on the closing stock price on the date of grant (\$90.65). There were no forfeitures in 2019.
- This amount represents the 2019 RSU awards described under "Executive Compensation Components Long-Term Incentives RSUs" in the CD&A. In accordance with FASB ASC Topic 718, we valued the RSUs using the number of RSUs awarded multiplied by the closing stock price on the date of the grant (\$90.65), There were no forfeitures in 2019.
- From January 1, 2019 until November 15, 2019, Mr. Guldner participated in the APS Incentive Plan as President of APS and Executive Vice President Public Policy of Pinnacle West and he had a target award opportunity of up to 90% of his base salary. From November 15, 2019 until December 31, 2019, Mr. Guldner, as Chairman of the Board, President and Chief Executive Officer of PNW and APS, continued to participate in the APS Incentive Plan but he had a target award opportunity of up to 110% of his base salary. The amounts in these columns represent the incentive amounts that Mr. Guldner could have received if he had been in each respective position with the Company and APS for the entire year. However, Mr. Guldner was only eligible to receive a prorated amount under the APS Incentive Plan based on the amount of time he held each position.
- These amounts represent the payout opportunity under the outage incentive plans for the Refueling Outages. These incentive plans do not provide for a threshold or maximum payment.

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

See the CD&A for further information regarding the terms of awards reported in the Summary Compensation Table and the Grants of Plan-Based Awards table, and for discussions regarding the formulas or criteria to be applied in determining the amounts payable, vesting schedules, and the treatment of dividends.

The Company does not have formal employment agreements with its NEOs; however, we typically enter into offer letters with new executive officers. Deferred compensation credits granted to Mr. Bement are discussed under the heading "Discussion of Nonqualified Deferred Compensation" on page 92.

On November 4, 2019, the Committee approved a Consulting Services Agreement with Mr. Brandt that was effective upon his retirement date of November 15, 2019 (the "Consulting Services Agreement"). For a period of 12 months ("Retention Period"), Mr. Brandt will consult and advise on matters as requested by the Board in the transition of the responsibilities of the Chief Executive Officer to Mr. Guldner. In particular, Mr. Brandt will provide advice and support regarding the transition of oversight of the Palo Verde Generating Station.

Mr. Brandt may receive a total consulting fee of up to \$1.75 million that will be payable as \$25,000 per month for the first 11 months (the "Monthly Fee") and the balance of the consulting fee (the "Final Fee") will be paid at the end of the Retention Period, subject to an evaluation by the Committee and the Corporate Governance Committee that Mr. Brandt has performed the duties in the Consulting Services Agreement. Mr. Brandt is subject to certain restrictions and covenants in the Consulting Services Agreement, including confidentiality, non-compete and non-solicitation provisions. The Consulting Services Agreement also includes termination provisions as described herein under "Potential Payments upon Termination or Change of Control."

Pinnacle West and Mr. Smith executed an offer letter dated July 19, 2018. The offer letter provided for a guaranteed base salary increase of \$50,000 effective January 1, 2019 and a second year hiring incentive of \$150,000 that was payable within two weeks of the first anniversary of his employment date. Pursuant to the offer letter, Mr. Smith was to be awarded 3,750 performance shares and 5,625 RSUs, based on \$80 per share, and were subject to change based on the stock price on the date of hire. Accordingly, the shares actually awarded to Mr. Smith were 1,232 performance shares to be released, only if the performance criteria are met in 2020; 2,464 performance shares to be released, only if the performance criteria are met in 2021; 1,232 RSUs that vested on February 20, 2019; 1,846 RSUs that vested on February 20, 2020; and 2,464 that will vest on February 19, 2021. Additionally, the offer letter provided that Mr. Smith was to receive a long-term stock base award grant in February 2019 with a grant date value of \$550,000. The offer letter also provided for participation in the Supplemental Executive Retirement Plan and the Deferred Compensation Plan; a Change-in-Control Agreement similar to those provided to other officers and standard executive relocation benefits.

Effective October 17, 2018, Pinnacle West and Mr. Smith entered into a Supplemental Agreement to his offer letter which provided that Mr. Smith was to receive an additional long-term stock base award grant in February 2019 with a grant date value of \$100,000.

Outstanding Equity Awards at Fiscal Year-End

		Stock Awards						
Name	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards Market or Payou Value of Unearned Shares, Units or Other Rights That Have Not Vester (\$)17				
Donald E. Brandt	O(5)	0	17,423 ⁽⁸⁾ (PS at threshold)	1,566,851				
			42,267 ⁽⁹⁾ (PS at target)	3,801,071				
			36,169 ⁽¹⁰⁾ (PS at target)	3,252,678				
Jeffrey B. Guldner	5,960 ⁽³⁾ (RSUs)	535,983	7,127 ⁽⁸⁾ (PS at threshold)	640,932				
	2,043 ⁽⁴⁾ (RSUs)	183,727	6,725 ⁽⁹⁾ (PS at target)	604,780				
	1,254 ⁽⁵⁾ (RSUs)	112,772	4,111 ⁽¹⁰⁾ (PS at target)	369,703				
	632 ⁽⁶⁾ (RSUs)	56,835		//////////////////////////////////////				
James R. Ḥatfield	3,312 ⁽³⁾ (RSUs)	297,848	3,960 ⁽⁸⁾ (PS at threshold)	356,123				
	2,916 ⁽⁴⁾ (RSUs)	262,236	9,606 ⁽⁹⁾ (PS at target)	863,867				
	2,363 ⁽⁵⁾ (RSUs)	212,505	7,399 ⁽¹⁰⁾ (PS at target)	665,392				
	1,344 ⁽⁶⁾ (RSUs)	120,866		***************************************				
Robert S. Bement	2,364 ⁽³⁾ (RSUs)	212,595	2,773 ⁽⁸⁾ (PS at threshold)	249,376				
	1,749 ⁽⁴⁾ (RSUs)	157,288	5,765 ⁽⁹⁾ (PS at target)	518,446				
	1,506 ⁽⁵⁾ (RSUs)	135,435	4,933 ⁽¹⁰⁾ (PS at target)	443,625				
	632 ⁽⁶⁾ (RSUs)	56,835		***************************************				
Daniel T. Froetscher	2,320 ⁽³⁾ (RSUs)	208,638	2,773 ⁽⁸⁾ (PS at threshold)	249,376				
	2,043 ⁽⁴⁾ (RSUs)	183,727	6,725 ⁽⁹⁾ (PS at target)	604,780				
	878 ⁽⁵⁾ (RSUs)	78,959	2,879 ⁽¹⁰⁾ (PS at target)	258,909				
	554 ⁽⁶⁾ (RSUs)	49,822	(* 11(**))********************************					

Name	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(1)
Robert E. Smith(11)	2,945 ⁽³⁾ (RSUs)	264,844	2,207 ⁽⁸⁾ (PS at threshold)	198,475
	4,402 ⁽⁷⁾ (RSUs)	395,872	2,569 ⁽⁹⁾ (PS at target)	231,031
			1,285 ⁽¹⁰⁾ (PS at target)	115,560

- (1) The amount in this column is calculated by multiplying the closing market price of our common stock at the end of 2019 (\$89.93 per share as of December 31, 2019) by the number of RSUs, performance shares and corresponding dividend rights (and interest thereon) that will be paid in stock to the extent the underlying RSU's and performance shares actually vest, listed for the specified officer.
- Mr. Brandt retired November 2019. Upon his retirement he became fully vested in all outstanding RSU grants. The RSUs will be payable on the dates and in the percentages specified in their vesting schedules.
- (3) This amount represents the RSUs awarded in 2019 that are described, with their vesting and release schedule, under "Executive Compensation Components Long-Term Incentives RSUs" in the CD&A.
- ⁽⁴⁾ This amount represents (i) the remaining RSUs awarded in 2018 as follows: Mr. Guldner 2,043; Mr. Hatfield 2,916; Mr. Bement 1,749; and Mr. Froetscher 2,043; The 2018 RSUs vest and are released in 25% increments beginning on February 20, 2019, so they will be fully vested on February 18, 2022.
- This amount represents (i) the remaining RSUs awarded in 2017 as follows: Mr. Guldner 1,254; Mr. Hatfield 2,258; Mr. Bement 1,506; and Mr. Froetscher 878; and (ii) accrued dividend rights (and interest thereon) that will be paid in stock to the extent the underlying RSU's actually vest, as follows: Mr. Hatfield 105. The 2017 RSUs vest and are released in 25% increments beginning on February 20, 2018, so they will be fully vested on February 19, 2021.
- This amount represents (i) the remaining RSUs awarded in 2016 as follows: Mr. Guldner 595; Mr. Hatfield 1,264; Mr. Bement 595; and Mr. Froetscher 521; and (ii) accrued dividend rights (and interest thereon) that will be paid in stock to the extent the underlying RSU's actually vest, as follows: Mr. Guldner 37; Mr. Hatfield 80; Mr. Bement 37; and Mr. Froetscher 33. The 2016 RSUs vested and were released in 25% increments beginning on Feb. 20, 2017 so they fully vested on Feb. 20, 2020.
- This amount represents the remaining RSUs awarded to Mr. Smith in 2018 pursuant to his offer letter as follows: (i) 4,310 and (ii) accrued dividend rights (and interest thereon) that will be paid in stock to the extent the underlying RSU's actually vest, as follows: 92. The award will vest in increments as described on page 84.
- This amount represents: (i) the 2019 Performance Shares the SEC rules require us to assume a number of shares equal to the threshold (50% of Base Grant) payout level of these performance shares, although the actual number of shares awarded, if any, will not be determined until after the end of the performance period, which ends on December 31, 2021; and (ii) accrued dividend rights (and interest thereon) that will be paid in stock to the extent the underlying performance shares actually vest and are paid out, as follows: Mr. Brandt 433; Mr. Guldner 177; Mr. Hatfield 98; Mr. Bement 69; Mr. Froetscher 69; and Mr. Smith 55. The 2019 Performance Shares are described with their vesting schedule under "Executive Compensation Components Long-Term Incentives Performance Shares" in the CD&A.
- This amount represents: (i) the 2018 performance shares the SEC rules require us to assume a number of shares equal to the target (100% of the Base Grant) payout level of these performance shares, although the actual number of shares awarded, if any, will not be determined until after the end of the performance period, which ends on December 31, 2020; and (ii) accrued dividend rights (and interest thereon) that will be paid in stock to the extent the underlying performance shares actually vest and are paid out, as follows:

 Mr. Brandt 2,369; Mr. Guldner 377; Mr. Hatfield 538; Mr. Bement 323; Mr. Froetscher 377; and Mr. Smith 105.
- This amount represents the 2017 performance shares. The performance period for these performance shares ended December 31, 2019; however, the payout was not determined until February 2020 for the portion tied to TSR and the payout, if any, for the portion tied to the five operational performance metrics will not be determined until October 2020, which is when the Company anticipates that we will have the information necessary to determine whether, and to what extent, the five performance metrics were met. SEC rules require us to (i) assume a number of shares equal to the target (100% of Base Grant) payout level for the 2017 performance shares; and (ii) accrued dividend rights (and interest thereon) that will be paid in stock to the extent the underlying performance shares actually vest and are paid out, as follows: Mr. Brandt 3,073; Mr. Guldner 349; Mr. Hatfield 629; Mr. Bement 419; Mr. Froetscher 245; and Mr. Smith 53.
- The terms of the grants to Mr. Smith and their vesting dates are described in the narrative disclosure accompanying the Summary Compensation Table and the Grant of Plan Based Awards.

Option Exercises and Stock Vested

	Stock Av	wards
Name	Number of Shares Acquired on Vesting (#)(1)	Value Realized on Vesting (\$)(2)
Donald E. Brandt	126,184	11,414,655
Jeffrey B. Guldner	7,741	712,283
James R. Hatfield	15,751	1,449,992
Robert S. Bement	7,879	724,953
Daniel T. Froetscher	6,759	621,963
Robert E. Smith	1,242	112,935

The amount in this column consists of: (i) RSUs that were granted to Messrs. Brandt, Guldner, Hatfield, Bement and Froetscher in February 2018, and Mr. Smith in October 2018, that vested and were released in part on February 20, 2019 as follows: Mr. Brandt — 4,275; Mr. Guldner — 681; Mr. Hatfield — 972; Mr. Bement — 583; Mr. Froetscher — 681; and Mr. Smith — 1,232; dividend rights (and interest thereon) payable in stock earned on RSUs granted in February 2018 and released in part on February 20, 2019 as follows: Mr. Smith — 10; (ii) RSUs that were granted to the NEOs (except Mr. Smith) in February 2017 that vested and were released in part on February 20, 2019 as follows: Mr. Brandt — 5,516; Mr. Guldner — 627; Mr. Hatfield — 1,129; Mr. Bement — 753; and Mr. Froetscher — 439; and dividend rights (and interest thereon) payable in stock earned on RSUs granted in February 2017 and released in part on February 20, 2019 as follows: Mr. Hatfield — 36; (iii) RSUs that were granted to the NEOs (except Mr. Smith) in February 2016 that vested and were released in part on February 20, 2019 as follows: Mr. Brandt — 6,543; Mr. Guldner — 595; Mr. Hatfield — 1,264; Mr. Bement — 595; and Mr. Froetscher — 521; dividend rights (and interest thereon) payable in stock earned on RSUs granted in February 2016 and released in part on February 20, 2019 as follows: Mr. Brandt — 313; Mr. Guldner — 28; Mr. Hatfield — 60; Mr. Bement — 28; and Mr. Froetscher — 25; (iv) RSUs that were granted to the NEOs (except Mr. Smith) in February 2015 that vested and were released in part on February 20, 2019 as follows: Mr. Brandt — 7,619; Mr. Guldner — 606; Mr. Hatfield — 1,299; Mr. Bement — 606; and Mr. Froetscher — 520; dividend rights (and interest thereon) payable in stock earned on RSUs granted in February 2015 and released in part on February 20, 2019 as follows: Mr. Brandt — 485; Mr. Guldner — 39; Mr. Hatfield — 83; Mr. Bement — 39; and Mr. Froetscher — 33; (v) 14,564 RSUs granted to Mr. Brandt in February 2019; 12,825 RSUs granted to Mr. Brandt in February 2018; 11,032 RSUs granted to Mr. Brandt in February 2017; 6,543 RSUs granted to Mr. Brandt in February 2016; dividend rights (and interest thereon) payable in stock earned on those RSUs consisting of 422 on the 2016 RSUs, in all cases that vested (but were not released) on November 15, 2019 (vi) additional RSUs resulting from notional dividends on the one-time award of supplemental grants of RSUs that were granted in February 2011 for performance prior to 2011 and further described below (the "Supplemental RSUs"), that vested, but were not released, on the following dates in 2019:

Name	March 1	June 3	September 3	December 2
Donald E, Brandt	231	227	228	271
Jeffrey B. Guldner	39	37	37	44
James R. Hatfield	64	63	64	76
Robert S. Bement	64	63	64	76
Daniel T. Froetscher	39	37	37	44

(The Supplemental RSUs vested 50% on February 15, 2013, 25% on February 14, 2014, and 25% on February 13, 2015. The Supplemental RSUs are not released to the recipient until the recipient's retirement, death, disability or separation of employment from the Company. Mr. Brandt's vested Supplemental RSUs will be released in May 2020); (vii) performance shares that were granted to the NEOs (except Mr. Smith) in February 2016, which were based on a performance period of January 1, 2016 to December 31, 2018, and which were released in 2019 when the Company had the information needed to determine whether, and to what extent, the applicable performance criteria were met, as follows: performance shares related to TSR were released on February 19, 2019 as follows: Mr. Brandt — 25,399; Mr. Guldner — 2,309; Mr. Hatfield — 4,906; Mr. Bement — 2,309; and Mr. Froetscher — 2,021; and dividend rights (and interest thereon) payable in stock on the performance shares released on February 19, 2019 as follows: Mr. Brandt — 2,435; Mr. Guldner — 221; Mr. Hatfield — 470; Mr. Bement — 221; and Mr. Froetscher — 194; and performance shares related to the six operational performance metrics were released on October 22, 2019 as follows: Mr. Brandt — 24,536; Mr. Guldner — 2,231; Mr. Hatfield — 4,740; Mr. Bement — 2,231; and Mr. Froetscher — 1,952; and dividend rights (and interest thereon) payable in stock on the performance shares released on October 22, 2019 as follows: Mr. Brandt — 2,720; Mr. Guldner — 247; Mr. Hatfield — 525; Mr. Bement — 247; and Mr. Froetscher — 216.

The values realized for the RSUs, Supplemental RSUs and the performance shares are calculated by multiplying the number of shares of stock or units released or vested by the market value of the common stock on the release or vesting date, which: (i) for the performance shares released on February 19, 2019 was \$90.65; (ii) the RSUs released on February 20, 2019 was \$90.93. (iii) for the Supplemental RSUs vested on March 1, 2019 was \$92.78; (iv) for the Supplemental RSUs vested on June 3, 2019 was \$95.40; (v) for the Supplemental RSUs vested on December 2, 2019 was \$85.75; and (vii) for the performance shares released on October 22, 2019 was \$94.53; and (vii) for the RSUs vested on November 15, 2019 was \$87.61.

Pension Benefits

The Pension Benefits table below includes estimates of the potential future pension benefits for each NEO based on the actuarial assumptions used for financial reporting purposes, such as the life expectancy of each NEO and his spouse and "discount rates."

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefits (\$)(1)	Payments During Last Fiscal Year (\$)
Donald E. Brandt ⁽²⁾	Retirement Plan	17	588,324	0
	Supplemental Plan	17	18,333,218	0
Jeffrey B. Guldner ⁽³⁾	Retirement Plan	15	295,256	0
7.	Supplemental Plan	15	2,256,938	0
James R. Hatfield ⁽⁴⁾	Retirement Plan	12	274,484	0
	Supplemental Plan	12	4,578,566	0
Robert S. Bement ⁽⁵⁾	Retirement Plan	13	312,247	0
	Supplemental Plan	13	3,739,428	0
Daniel T. Froetscher ⁽⁶⁾	Retirement Plan	39	2,182,177	0
	Supplemental Plan	39	4,377,196	0
Robert E. Smith ⁽⁷⁾	Retirement Plan	2	26,791	0
	Supplemental Plan	2	125,137	0

- See Note 7 of the Notes to Consolidated Financial Statements in the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2019 for additional information about the assumptions used by the Company in calculating pension obligations.
- Mr. Brandt retired on November 15, 2019 and the amounts shown are the present values of Mr. Brandt's accumulated benefits for the Retirement Plan to be paid on January 1, 2020 as an annuity with one month of back payments and lump sum and for the Supplemental Plan to be paid on June 1, 2020 as a five-year certain payment (payable in 60 monthly installments) with six months of back payments.
- The amounts shown are the present values of Mr. Guldner's accumulated benefits for the Retirement Plan to be paid as an annuity and lump sum and for the Supplemental Plan to be paid as a five-year certain payment (payable in 60 monthly installments).
- The amounts shown are the present values of Mr. Hatfield's accumulated benefits for the Retirement Plan to be paid as an annuity and lump sum and for the Supplemental Plan to be paid as a five-year certain payment (payable in 60 monthly installments).
- The amounts shown are the present values of Mr. Bement's accumulated benefits for the Retirement Plan to be paid as an annuity and lump sum and for the Supplemental Plan to be paid as a five-year certain payment (payable in 60 monthly installments).
- The amounts shown are the present values of Mr. Froetscher's accumulated benefits for the Retirement Plan to be paid as an annuity and lump sum and for the Supplemental Plan to be paid as a five-year certain payment (payable in 60 monthly installments), both at age 60, which is the earliest Mr. Froetscher could retire with no reduction in benefits. See the following "Discussion of Pension Benefits."
- The amounts shown are the present values of Mr. Smith's accumulated benefits for the Retirement Plan to be paid as an annuity and lump sum and for the Supplemental Plan to be paid as a five-year certain payment (payable in 60 monthly installments).

Discussion of Pension Benefits

RETIREMENT PLAN AND SUPPLEMENTAL PLAN

The Company's Retirement Plan is a tax-qualified, noncontributory retirement plan for salaried and hourly employees. The Supplemental Plan provides additional retirement benefits for key salaried employees but does not duplicate benefits provided under the Retirement Plan. The total benefit is calculated and then benefits payable under the Retirement Plan are paid from a tax-exempt trust and any remaining benefits due under the Supplemental Plan are paid from the general assets of the Company.

Prior to April 1, 2003, benefits under the Retirement Plan and the Supplemental Plan (the "Traditional Formula Benefit") accrued in accordance with a traditional retirement plan formula based on average annual compensation and years of service (the "Traditional Formula").

A participant's Traditional Formula Benefit under the Retirement Plan is a monthly benefit for life beginning at normal retirement age (age 65 with 5 years of service or age 60 with 33 years of service) and is equal to the participant's average monthly compensation (the average of the highest 36 consecutive months of compensation in the final 10 years of employment) multiplied by 1.65% for the first 33 years of service, plus 1% of average monthly compensation for each year of service credited in excess of 33 years.

Under the Traditional Formula of the Supplemental Plan, a participant's monthly benefit for life beginning at normal retirement age (age 65 or age 60 with 20 years of service) is equal to the following:

- 3% of the participant's average monthly compensation (highest 36 consecutive months of compensation during employment) multiplied by the participant's first 10 years of service, plus
- 2% of the participant's average monthly compensation multiplied by the participant's next 15 years of service, minus
- benefits payable under the Retirement Plan.

The total monthly Traditional Formula Benefit is capped at 60% of the participant's average monthly compensation. A participant may elect to begin receiving a reduced Traditional Formula Benefit after attaining early retirement age (age 55 with 10 years of service). An actuarial reduction is applied to the Retirement Plan unless the participant has at least 20 years of service, in which case the reduction is 3% per year (prorated monthly) for each year prior to normal retirement. The reduction on the Supplemental Plan is 3% per year (prorated monthly).

Messrs. Hatfield, Bernent and Froetscher currently qualify for early retirement, but not normal retirement, under the Retirement Plan and the Supplemental Plan. Mr. Brandt qualified for early retirement under the Retirement Plan and the Supplemental Plan when he retired. Messrs. Guldner and Smith do not currently qualify for early or normal retirement under either the Retirement Plan or the Supplemental Plan.

Effective April 1, 2003, the Company changed the benefit accrual formula for both the Retirement Plan and the Supplemental Plan to a retirement account balance formula (the "Account Balance Formula"). Active participants were able to elect to either (1) continue to earn benefits calculated under the Traditional Formula, or (2) earn benefits calculated (a) under the Traditional Formula for service through March 31, 2003, and (b) under the Account Balance Formula for service after that date. Messrs. Brandt's and Froetscher's benefits are calculated under the combined Traditional Formula/Account Balance Formula. Messrs. Guldner's, Hatfield's, Bement's, and Smith's benefits are calculated under the Account Balance Formula.

Under the Account Balance Formula, a notional account is established for each eligible participant and benefits are generally payable at termination of employment. The Company credits monthly amounts (based on the participant's current monthly compensation) to a participant's account.

Under the Retirement Plan, Company credits are based on the following formula:

Age Plus Whole Years of Service at End of Plan Year	Percent of Monthly Compensation Contribution Rate (%)
Less than 40	4
40-49	5
50-59	6
60-69	7
70-79	9
80 and over	11

In addition, participants in the Retirement Plan on December 31, 2002 were eligible for up to 10 years of transition credits based on age and years of service (with the maximum transition credit equal to 2.75% of current monthly compensation).

Under the Supplemental Plan, Company credits are based on the following formula:

Age at End of Plan Year	Percent of Monthly Compensation Contribution Rate (%)
Less than 35	12
35-39	14
40-44	16
45-49	20
50-54	24
55 and over	28

Company credits under the Supplemental Plan stop at the end of the year in which a participant attains 25 years of service (the "25-Year Cap").

For purposes of calculating the Traditional Formula Benefit and the Account Balance Formula benefit under the Retirement Plan, compensation consists solely of base salary up to \$280,000, including any employee contributions under the Company's 401(k) plan, flexible benefits plan and qualified transportation arrangement under Section 132(f) of the Code. Amounts voluntarily deferred under other deferred compensation plans, bonuses, incentive pay and long-term equity awards are not taken into account under the Retirement Plan. The Supplemental Plan takes these amounts into account (with certain exceptions) plus base salary beyond the \$280,000 limit.

Participants typically begin accruing service when hired and are vested after completing three years of service. Under both the Retirement Plan and the Supplemental Plan, Traditional Formula Benefits are usually paid in the form of a level annuity with or without survivorship and generally are not available as a lump sum. Account Balance Formula benefits are eligible to be paid in the form of a level annuity with or without survivorship or as a lump sum. All optional benefit forms available through the Retirement Plan are approximately actuarially equivalent. Under the Supplemental Plan, the 50% joint and survivor benefit is fully subsidized, and the other benefit forms are partially subsidized. The Supplemental Plan offers an additional five-year certain payment option (payable in 60 monthly installments).

Effective January 1, 2011, the Supplemental Plan was amended to reduce the Company credits for individuals who became participants on or after January 1, 2011 to the levels listed in the following table:

Age at End of Plan Year	Compensation Contribution Rate (%)
Less than 35	8
35-39	9
40-44	10
45-49	12
50-54	15
55 and over	18

Individuals who became participants in the Supplemental Plan on or after January 1, 2011 are not entitled to receive a fully subsidized 50% joint and survivor annuity form of benefit, and the 25-Year Cap has been eliminated. Participants promoted to officer status on or after January 1, 2011 are not retroactively treated as officers for their entire period of employment.

Nonqualified Deferred Compensation

Name	Executive Contributions in Last Fiscal Year (\$)(1)	Registrant Contributions in Last Fiscal Year (\$)	Aggregate Earnings in Last Fiscal Year (\$)(2)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last Fiscal Year End (\$)
Donald E. Brandt:					
DCP & 2005 Plan(3)	470,391	0	247,344	0	3,593,100
Supplemental RSUs ⁽⁴⁾	0	0	0	0	2,694,752
RSUs ⁽⁵⁾	0	0	0	0	3,976,267
Jeffrey B. Guldner:					
2005 Plan ⁽³⁾	167,697	0	74,278	0	1,100,008
Supplemental RSUs ⁽⁴⁾	0	0	0	0	448,211
James R. Hatfield:					
2005 Plan ⁽³⁾	34,256	0	22,166	0	324,951
Supplemental RSUs ⁽⁴⁾	0	0	0	0	749,117
Robert S. Bement:					200
2005 Plan ⁽³⁾	286,788	0	160,844	0	2,325,393
Supplemental RSUs(4)	0	0	0	0	749,117
Bement DCP Discretionary Credits(7)	0	0	101,112	0	1,403,707
Daniel T. Froetscher:					The same of the sa
DCP & 2005 Plan(3),(6)	59,214	0	35,322	(41,731)	520,197
Supplemental RSUs ⁽⁴⁾	0	0	0	0	448,211
Robert E. Smith:					
2005 Plan	0	0	0	0	0

The amount of the executive contribution is solely from the voluntary deferral by the executive of the executive's designated compensation and does not include any separate Company contribution. These deferred amounts are included in the "Salary" and "Non-Equity Incentive Plan Compensation" columns in the Summary Compensation Table.

A portion of the amounts reported in this column is the above-market portion of interest accrued under the deferred compensation plan (also reported as compensation in the Summary Compensation Table), including: Mr. Brandt — \$163,031; Mr. Guldner — \$48,430; Mr. Hatfield — \$14,536; Mr. Bement — \$174,584; and Mr. Froetscher — \$23,103.

- The historical contributions of each NEO to his aggregate balance at December 31, 2019, including "market rate" interest (as defined by the SEC) from the date of each contribution, is as follows: Mr. Brandt \$2,702,467; Mr. Guldner \$735,405; Mr. Hatfield \$261,014; Mr. Bernent \$1,783,203; and Mr. Froetscher \$299,397. Of the totals in this column, the following amounts have been reported in the Summary Compensation Table in this Proxy Statement or in the Company's prior Proxy Statements: Mr. Brandt \$2,884,298; Mr. Guldner \$352,890; Mr. Hatfield \$278,569; Mr. Bernent \$891,960; and Mr. Froetscher \$140,436.
- Supplemental RSUs were granted to NEOs in 2011 (except Mr. Smith) and vested over a four-year period and earned additional Supplemental RSUs resulting from notional dividends on the vested underlying awards. The amount in the "Aggregate Balance at Last Fiscal Year End" column is calculated by multiplying the closing market price of our common stock at the end of 2019 (\$89.93 per share as of December 31, 2019) by the number of vested Supplemental RSUs. Mr. Brandt's vested Supplemental RSUs will be released in May 2020. The following table shows historical vesting by year:

	Vested Supplemental RSUs	Vested Notional Supplemental RSUs	
	2013 - 2015	2013 - 2018	2019
Donald E. Brandt	21,580	7,428	957
Jeffrey B. Guldner	3,596	1,231	157
James R. Hatfield	5,996	2,067	267
Robert S. Bement	5,996	2,067	267
Daniel T. Froetscher	3,596	1,231	157

- Mr. Brandt's RSUs vested in November 2019 when he retired. These RSUs will be released in accordance with the vesting schedule associated with each RSU grant. The amount in the "Aggregate Balance at Last Fiscal Year End" column is calculated by multiplying the closing market price of our common stock on November 15, 2019 (\$87.61 per share) by the number of vested RSUs.
- On January 15, 2019, Mr. Froetscher received a lump sum payment in the gross amount of \$41,731 with regards to an election made under the 2005 Plan to receive a payout in January of the fifth year following the deferral of 2014 compensation. The lump sum payment included accrued interest.
- The terms of the Bement DCP Discretionary Credits are discussed under "Discussion of the Nonqualified Deferred Compensation DCP and 2005 Plan" below.

Discussion of Nonqualified Deferred Compensation

DCP AND 2005 PLAN

Effective January 1, 1992, the Company established The Pinnacle West Capital Corporation, Arizona Public Service Company, SunCor Development Company, and El Dorado Investment Company Deferred Compensation Plan (the "DCP"). Under the DCP, a participant who is an employee is allowed to defer up to 50% of annual base salary and up to 100% of year-end bonus, which would include awards under regular annual incentive plans, but not special incentive payments. A participant who is a member of the Board is allowed to defer up to 100% of the annual cash fees payable to the participant. Amounts deferred by participants are credited with interest at various rates in substantially the same manner as interest is credited pursuant to the 2005 Plan, as described below. Distributions may be made (1) within 60 days after the fifth year an amount was deferred, (2) on account of an unforeseen emergency, (3) on account of retirement after attaining age 65 with five years of service or after attaining age 55 with 10 years of service ("Retirement Benefit"), (4) on account of termination prior to retirement ("Termination Benefit"), (5) on account of disability, or (6) on account of death before termination of employment.

The Retirement Benefit and Termination Benefit are payable in a lump sum or in 5, 10, or 15 equal annual installments, as elected by the participant. Other benefits are generally paid in a lump sum. The method of crediting interest on lump sum and installment payments under the DCP is substantially the same as the method used in the 2005 Plan, as described below.

On December 15, 2004, the Board authorized the adoption of a new nonqualified deferred compensation plan for post-2004 deferrals (the "2005 Plan"). No future deferrals will be permitted under the DCP. The 2005 Plan, effective as of January 1, 2005, is based in large part on the DCP as described above. The 2005 Plan was adopted to comply with the requirements of Section 409A of the Code.

Under the 2005 Plan, a participant who is an employee is allowed to defer up to 50% of the participant's base salary and up to 100% of the participant's bonus, including regular awards under annual incentive plans, but not special awards. A participant who is a member of the Board is allowed to defer up to 100% of the annual cash fees payable to the participant. Amounts deferred by participants are credited with interest at various rates, as described below. Deferral elections of base salary and director's fees must be made prior to the calendar year in which such base salary or director's fees will be paid. A deferral election with respect to a bonus must be made before the first day of the calendar year in which the bonus is earned. When making a deferral election, a participant also makes an election regarding the time and form of the participant's distributions from the 2005 Plan. Distributions from the 2005 Plan must be made in accordance with Section 409A of the Code. Distributions may be made (1) in January of the fifth year following the year in which an amount was deferred, (2) on account of an unforeseeable financial emergency, (3) either (i) termination of employment or (ii) the later of termination of employment or attainment of age 55, or (4) on account of death before termination of employment.

In the event of termination of employment, attainment of age 55 or death, the benefit is payable in a lump sum or in 5, 10 or 15 equal annual installments, as elected by the participant. Benefits in the other circumstances are generally paid in a lump sum.

The 2005 Plan provides for a single rate of interest that will be determined by the plan committee, but which rate shall in no event be less than the rate of interest equal to the 10-year U.S. Treasury Note rate as published on the last business day of the first week of October preceding a plan year. The plan committee set the rate at 7.5% for plan year 2019.

Effective January 1, 2009, the Company amended the 2005 Plan to permit the Company, in its discretion, to award discretionary credits to participants. Discretionary credits generally will be paid at the time and in the form provided in the written award agreement.

The Company made a discretionary credit award to Mr. Bement in 2008 pursuant to the 2005 Plan consisting of \$350,000 as of December 17, 2008, \$70,000 as of January 1, 2010 and an additional \$70,000 on January 1 of each of the next four years thereafter (the "2008 Bement DCP Discretionary Credits"). The 2008 Bement DCP Discretionary Credits earn interest in accordance with the 2005 Plan. The 2008 Bement DCP Discretionary Credits vested on December 31, 2014 and will be payable to Mr. Bement following his termination from the Company in such form as elected by Mr. Bement.

Additionally, the Company made a discretionary credit award to Mr. Bement in 2014 pursuant to the 2005 Plan consisting of \$75,000 as of January 1, 2015 and an additional \$75,000 on January 1 of each of the next three years thereafter (the "2014 Bement DCP Discretionary Credits" and together with the 2008 Bement DCP Discretionary Credits, the "Bement DCP Discretionary Credits"). The 2014 Bement DCP Discretionary Credits earn interest in accordance with the 2005 Plan. The 2014 Bement DCP Discretionary Credits vested on December 31, 2018 and will be payable to Mr. Bement following his termination from the Company in such form as elected by Mr. Bement.

Participation in both the DCP and the 2005 Plan is limited to officers, the Company's senior management group and directors of the Company and participating affiliates. The Company's obligations under the DCP and the 2005 Plan are unfunded (except in the limited change of control circumstance discussed below) and unsecured.

Potential Payments upon Termination or Change of Control

This section describes the potential payments that each of the NEOs could receive following termination of employment, including through death, disability, retirement, resignation, involuntary termination (with or without cause) or a change of control of the Company (each, a "Termination Event"). We describe plans, agreements, or arrangements under which each NEO could receive payments following a Termination Event, excluding those that do not discriminate in favor of our executive officers and that are available generally to all salaried employees and awards that are already vested. The description of payments to the NEOs under the various Termination Event scenarios described in this section are not intended to affect the Company's obligations to the NEOs. Those obligations are subject to, and qualified by, the contracts or arrangements giving rise to such obligations. Unless we note otherwise, the discussion below assumes that any Termination Event took place on December 31, 2019 for each NEO.

The Company does not have a severance plan that covers the NEOs. We also do not have traditional severance agreements or arrangements with our NEOs. We do have Change of Control Agreements, which are discussed below.

In addition to the termination payments set forth below, the NEOs would also receive a full distribution under the DCP, the 2005 Plan and pension benefits. Amounts payable to Messrs. Brandt, Guldner, Hatfield, Bement, Froetscher, and Smith under the DCP and the 2005 Plan are set forth in the Nonqualified Deferred Compensation table, which also shows which part of the payment is interest paid by the Company and which part is the executive's contribution.

With respect to pension benefits, the amounts that each of the NEOs would receive under the Supplemental Plan in the event of a Termination Event are set forth in the Pension Benefits table; however, assuming that the NEO (excluding Mr. Brandt who retired in November 2019) had died on December 31, 2019, the amounts payable under the Supplemental Plan, would have been as follows: Mr. Guldner — \$1,952,646; Mr. Hatfield — \$3,659,063; Mr. Bement — \$2,991,274; Mr. Froetscher — \$5,363,844 and Mr. Smith — \$0. These amounts are based on the following assumptions: (1) the Traditional Formula Benefit is paid in the form of a monthly annuity to the NEO's spouse for life following his death and benefit payments commence immediately and (2) the Account Balance Formula is paid in the form of an immediate lump sum to his spouse. Messrs. Guldner, Hatfield, Bement, Froetscher and Smith would have received \$2,256,938; \$4,578,566; \$3,739,428; \$4,474,574 and \$0, respectively, in the event of a Termination Event other than death due on December 31, 2019, and these amounts are based on the assumption that the benefit would be payable in five-year installment payments beginning on January 1, 2020.

With respect to the performance share awards, the recipient must remain employed with the Company throughout the performance period, unless the recipient meets any of the following exceptions, which would trigger a payment in connection with those certain Termination Events. In the case of the recipient's retirement while qualifying for Early Retirement or Normal Retirement under the Retirement Plan (the "Retirement Qualified Employee"), the employee is deemed to have been employed through the end of the performance period (with payout based on actual performance results). In the case of the recipient's retirement after reaching age 60 with five years of service, but not otherwise qualifying for Early Retirement or Normal Retirement under the Retirement Plan (a "Late Career Employee"), any performance share payout will vest pro-rata based on the number of days the recipient was employed during the performance period compared to the total number of days in the period. In the event the recipient is terminated for cause (regardless of the recipient's retirement date), the recipient shall not be deemed to have been employed through the end of the performance period and will forfeit the right to receive any payout. In the event of the death or disability of a Retirement Qualified Employee or a Late

Career Employee, the employee is deemed to have been employed through the end of the performance period (with payout based on actual performance results). In the event the recipient's employment is terminated without cause during the performance period, the CEO, in his discretion and with the Committee's approval, may determine if, to what extent, and when, any unvested portion of the grant may vest. The performance shares contain confidentiality protections that apply during employment and survive termination, and non-competition and employee solicitation restrictions that survive for a period of one year following termination of employment.

With respect to RSUs, the recipient must remain employed with the Company through the applicable vesting date, unless the recipient meets any of the following exceptions, which would trigger a payment in connection with those certain Termination Events. If a Retirement Qualified Employee retires, the RSUs will fully vest and will be payable on the dates and in the percentages specified in the vesting schedule. If a Late Career Employee retires, the recipient will receive a pro-rata payout of the portion that would have released on the next vesting date based on the number of days the recipient was employed from the last vesting date. If a Retirement Qualified Employee or a Late Career Employee dies or becomes disabled before the end of the vesting period, any outstanding RSUs will fully vest and will be payable no later than March 15 of the year following the year in which the event occurs. In the event a recipient is terminated for cause, any award the recipient would otherwise be entitled to receive following the date of termination is forfeited. In the event a recipient is terminated without cause, the CEO, in his discretion and with the Committee's approval, may determine if, and to what extent, any unvested portion of the grant will vest. The RSUs contain confidentiality protections that apply during employment and survive termination, and non-competition and employee solicitation restrictions that survive for a period of one year following termination of employment.

As described in the next paragraph, if a recipient's rights are adequately protected, a change of control will not result in any acceleration of a recipient's performance shares or RSUs. However, if a change of control occurs and the conditions of the following paragraph are not met, immediately prior to the change of control, the RSUs and performance shares will convert to either cash or stock, at the election of the recipient, and shall immediately vest. In converting the performance shares, the recipient will receive the number of shares of stock or the cash equivalent that would have been earned at the target level of performance, unless the Committee determines that a higher level of attained performance is reasonably ascertainable as of a specified date prior to the closing of the change of control transaction. The dividend equivalent awards will be paid in cash or stock as determined in accordance with the applicable award agreement.

Prior to a change of control, the Board may determine that no change of control shall be deemed to have occurred or that some or all of the enhancements to the rights of the recipient shall not apply to specified awards. The Board may exercise such override authority only if, before or immediately upon the occurrence of the specified event that would otherwise constitute a change of control, the Board reasonably concludes in good faith, that: (1) recipients holding awards affected by action of the Board override will be protected by legally binding obligations of the Company or the surviving entity or the parent thereof because such awards (A) shall remain outstanding following consummation of all transactions involved in or contemplated by such change of control, (B) shall be assumed and adjusted by the surviving entity resulting from such transaction or the parent thereof, or (C) shall be exchanged for new awards issued by the surviving entity resulting from such transaction or the parent thereof; and (2) changes in the terms of the award resulting from such transactions will not materially impair the value of the awards to the participants or their opportunity for future appreciation in respect of such awards.

The Company has entered into identical Change of Control Agreements with each of its executive officers, including each of the NEOs. The Company believes that these agreements provide stability for its key management in the event the Company experiences a change of control. The agreements contain a "double-trigger" that provides for certain payments if, during the two-year period following a change of control of the Company (the "first trigger"), the Company terminates the officer's employment for any reason other than death, disability or cause or the executive terminates his or her own employment following a significant and detrimental change in the executive's employment (the "second trigger"). In case of an officer's retirement, death or disability, no payments are made under the officer's Change of Control Agreement, except for the payment of accrued benefits; however, if the officer dies following the officer's receipt of a second trigger termination notice, the officer's estate will receive the change of control payments the officer would have received if the officer had survived. Pursuant to the Change of Control Agreement, each of the NEOs is obligated to hold in confidence any and all information in his possession as a result of his employment, during and after the NEO's employment with the Company is terminated.

The termination payment, if required, is an amount equal to 2.99 times the sum of the executive's annual salary at the time of the change of control plus the annual bonus (including incentive plan payments), as determined by an average over the last four years preceding termination. In addition, the executive is entitled to continued medical, dental, and group life insurance benefits at a shared cost until the end of the second year following the calendar year of termination. Outplacement services are also provided. If the limitations described in Section 280G of the Code are exceeded, the Company will not be able to deduct a portion of its payments. In addition, if these limitations are exceeded, Section 4999 of the Code imposes an excise tax on all or part of the total payments. In certain of the agreements, an additional gross-up payment equal to the excise tax (plus any penalties and interest) imposed on or with respect to the total payments is provided.

In May 2009, the Company determined that, on a going-forward basis, it would no longer provide excise tax gross-up payments in new and materially amended agreements with its NEOs, but provided for an exception that gave the Company the ability to include a limited excise tax gross-up provision in connection with recruiting a new executive to the Company. In 2018 the Committee removed this exception.

A change of control under the Change of Control Agreement includes: (1) an unrelated third-party's acquisition of 20% or more of the Company's or APS's voting stock; (2) a merger or consolidation where either the Company or APS combines with any other corporation such that the Company's or APS's outstanding voting stock immediately prior to merger or consolidation represents less than 60% of the voting stock of the Company or APS immediately after the merger or consolidation, but excluding a merger or consolidation effected to implement a recapitalization in which no unrelated third-party acquires more than 20% of the voting stock of the Company or APS; (3) a sale, transfer, or other disposition of all or substantially all of the assets of the Company or APS to an unrelated third-party; or (4) the case where the composition of either the Board of the Company or of APS changes such that the members of the Board of the Company (the "Company Incumbent Board") or of APS (the "APS Incumbent Board"), as of July 31, 2007 (and with respect to Messrs. Hatfield and Guldner as of July 31, 2008) no longer comprises at least two-thirds of the Company's or APS's Board of Directors. For purposes of this later provision, a person elected to either Board is treated as a member of the Company Incumbent Board or APS Incumbent Board if his or her nomination or election by shareholders was approved by a two-thirds vote of the members then comprising the Company Incumbent Board or APS Incumbent Board, and it does not include anyone who became a director in an actual or threatened election contest relating to the election of directors.

Each of the agreements terminates on December 31st of each year upon six months advance notice by the Company to the executive officer; if the six months advance notice is not given, the agreements will continue for successive one-year periods until the notice is given. The Company is required to deposit into a trust sufficient funds to pay obligations under the DCP, 2005 Plan and the Supplemental Plan in the case of an actual or potential change of control.

Mr. Brandt could receive certain termination payments under his Consulting Services Agreement. The Consulting Services Agreement may be terminated with or without cause by either Pinnacle West or Mr. Brandt upon 30 days' written notice. If the Consulting Services Agreement is terminated (i) by Mr. Brandt for any reason other than due to death or disability or (ii) by the Board for cause prior to the end of the Retention Period, Mr. Brandt will receive the Monthly Fee for only the month in which the Consulting Services Agreement is terminated and he will not be entitled to receive the Final Fee. If the Consulting Services Agreement is terminated prior to the end of the Retention Period due to (i) Mr. Brandt's death or disability or (ii) by the Board for any other reason, including without limitation as a result of a change of control, Mr. Brandt or his estate, as appropriate, will receive all of the unpaid Monthly Fees for the remainder of the Retention Period and the Final Fee in a single lump sum within 30 days following the date on which the Consulting Services Agreement is terminated.

The following tables quantify the amounts that would have been payable to each NEO if the indicated Termination Event had taken place on December 31, 2019. In the tables:

- · We assume full vesting of outstanding performance shares (at the target level) and RSUs upon a change of control. The performance shares and RSUs, plus, where applicable, dividend equivalents, for the NEOs vest upon a change of control whether or not there is a subsequent termination of employment (subject however, to the Board's ability to override the vesting).
- Retirement benefits payable to Messrs. Hatfield, Bement and Froetscher include full vesting of outstanding performance shares (at the target level) and RSUs, plus, in all cases where applicable, dividend equivalents. Mr. Brandt retired in November 2019 so this reflects actual amounts that were triggered upon his retirement.
- · Death or disability benefits payable to Messrs. Hatfield, Bement, and Froetscher, include full vesting of outstanding performance shares (at the target level) and RSUs, plus, in all cases where applicable, dividend equivalents.

Subject to the foregoing, the following tables describe the amounts that would have been payable to each NEO if a Termination Event had taken place on December 31, 2019:

Donald E. Brandt:

Component of Pay	Retirement (\$)
Performance Shares	7,438,826
RSUs	3,976,267
TOTAL:	11,415,093

Jeffrey B. Guldner:

Component of Pay	Qualifying Termination of Employment in Connection With a Change of Control (\$)	All Other Termination Events (\$)
Performance Shares	2,256,361(1)	0
RSUs	927,773(1)	0
Severance Benefits	3,387,592	0
Present Value of Medical, Dental, and Life Insurance Benefits	42,060	0
Outplacement Services	10,000	0
Excise Tax Gross-Up	2,597,039	0
TOTAL:	9,220,825	0

¹¹⁾ The performance shares and RSUs are accelerated upon a change of control only if the Board does not exercise its override authority.

James R. Hatfield:

Component of Pay	Qualifying Termination of Employment in Connection With a Change of Control (\$)	Death or Disability (\$)	Retirement (\$)	All Other Termination Events (\$)
Performance Shares	2,241,571(1)	1,690,798	1,690,798	0
RSUs	933,174(1)	933,174	973,001	0
Severance Benefits	3,869,105	0	0	0
Present Value of Medical, Dental, and Life Insurance Benefits	33,195	0	0	0
Outplacement Services	10,000	0	0	0
TOTAL:	7,087,045	2,623,972	2,663,799	0

¹⁰ The performance shares and RSUs are accelerated upon a change of control only if the Board does not exercise its override authority.

Robert S. Bement:

Component of Pay	Qualifying Termination of Employment in Connection With a Change of Control (\$)	Death or Disability (\$)	Retirement (\$)	All Other Termination Events (\$)
Performance Shares	1,460,821(1)	1,092,617	1,092,617	0
RSUs	588,849(1)	588,849	615,001	0
Severance Benefits	3,703,081	0	0	0
Present Value of Medical, Dental, and Life Insurance Benefits	41,588	0	0	0
Outplacement Services	10,000	0	0	0
Excise Tax Gross-Up	2,153,920	0	0	0
TOTAL:	7,958,259	1,681,466	1,707,618	0

⁽¹⁾ The performance shares and RSUs are accelerated upon a change of control only if the Board does not exercise its override authority.

Daniel T. Froetscher:

Component of Pay	Qualifying Termination of Employment in Connection With a Change of Control (\$)	Death or Disability (\$)	Retirement (\$)	All Other Termination Events (\$)
Performance Shares	1,362,369(1)	1,183,720	1,183,720	0
RSUs	547,644(1)	547,644	573,337	0
Severance Benefits	2,500,969	0	0	0
Present Value of Medical, Dental, and Life Insurance Benefits	42,188	0	0	0
Outplacement Services	10,000	0	0	0
Excise Tax Gross-Up	1,676,503	0	0	0
TOTAL:	6,139,673	1,731,364	1,757,057	0

The performance shares and RSUs are accelerated upon a change of control only if the Board does not exercise its override authority.

Robert E. Smith:

Component of Pay	Qualifying Termination of Employment in Connection With a Change of Control (\$)	All Other Termination Events (\$)
Performance Shares	743,489(1)	0
RSUs	669,162(1)	0
Severance Benefits	1,151,527	0
Present Value of Medical, Dental, and Life Insurance Benefits	42,532	.0
Outplacement Services	10,000	0
Excise Tax Gross-Up	O	0
TOTAL:	2,616,710	0

The performance shares and RSUs are accelerated upon a change of control only if the Board does not exercise its override authority.

Pay Ratio

As required by Item 402(u) of Regulation S-K, we are providing the annual disclosure of the ratio of the median employee's annual total compensation to the prorated total annual compensation of Mr. Brandt, our former CEO and Mr. Guldner, our current CEO. For 2019 the median of the annual total compensation of all employees of our Company (other than our CEO) was \$132,212 and the prorated total annual compensation of our former CEO and current CEO, as reported in the Summary Compensation Table in this Proxy Statement, was \$11,882,550. Based on this information and using the required calculation methodology defined in Item 402(u) of Regulation S–K, for 2019, the ratio of the annual total compensation of our CEO to our median employee's annual total compensation was 90 to 1.

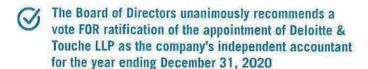
As permitted by Item 402(u) of Regulation S-K, for fiscal year 2019 we used the same median employee for the pay ratio as was used for the pay ratio in the Proxy Statement for fiscal year 2017. We determined that during 2019, as compared to 2018, there were no material changes in our employee population or our employee compensation arrangements that we believe would significantly impact our pay ratio disclosure. To identify the median employee compensation from our employee population, as well as to determine the annual total compensation of our median employee and our CEO, we took the following steps:

- We determined that, as of December 31, 2017, our employee population consisted of approximately 6,303 individuals, all of which were located in the United States. This population consisted of our fulltime, part-time, temporary and seasonal employees.
- To identify the median employee from our employee population, we compared the total amount of salary, wages, overtime and premium pay, and an estimated cash incentive assuming a target payout under the APS Incentive Plans of our employees as reflected in our payroll records on December 31, 2017.
- We identified our median employee using this compensation measure, which was consistently
 applied to all our employees included in the calculation. Since all our employees are located in
 the United States, as is our CEO, we did not make any cost-of-living adjustments in identifying the
 median employee.
- Once we identified our median employee, we combined all of the elements of such employee's compensation for 2019 in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K, resulting in annual total compensation of \$132,212. The difference between such employee's salary, wages, overtime and premium pay, and an estimated cash incentive assuming a target payout under the APS Incentive Plan and the employee's annual total compensation includes the amount the Company contributed under the 401(k) plan for the employee, the actual amount paid under the APS Incentive Plans and the estimated aggregate change in the actuarial present value from December 31, 2018 to December 31, 2019 of the employee's accumulated benefits payable under all defined pension plans.
- With respect to the annual total compensation of our CEO, we used the amount reported in the "Total" column of our 2019 Summary Compensation Table included in this Proxy Statement for both our former CEO, Mr. Brandt and our current CEO, Mr. Guldner and prorated the total compensation for each by the period of time they each held the postion of CEO during 2019.

AUDIT MATTERS

PROPOSAL 3

Ratification of The Appointment of Deloitte & Touche LLP as the Independent Accountant for the Company



The Audit Committee has appointed Deloitte & Touche LLP ("D&T") as the Company's independent accountant for the year ending December 31, 2020 and, as a matter of good corporate governance, has directed management to submit such appointment for ratification by the shareholders at the Annual Meeting. In the event the shareholders fail to ratify the appointment, the Audit Committee may reconsider this appointment. Even if the appointment is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent accounting firm at any time during the year if the Audit Committee determines that such a change would be in the Company's and the shareholders' best interests.

The Independent Accountant

The Audit Committee evaluates the selection of the independent accountant each year, and has appointed D&T, independent accountant, to examine the Company's financial statements for the year ending December 31, 2020, and, pursuant to Proposal 3, has requested shareholder ratification of this appointment. The Audit Committee has discussed the qualifications and performance of D&T and believes that the continued retention of D&T to serve as the Company's independent accountant is in the best interest of the Company and its shareholders.

In making the determination to retain D&T for 2020, the Audit Committee considered, among other things:

- · D&T's technical expertise, particularly with respect to the complex area of utility regulatory accounting;
- · Management's and D&T's review of D&T's historical and recent performance;
- The quality and candor of D&T's communications with the Audit Committee and management;

AUDIT MATTERS

- D&T's independence and tenure as our auditor, including the benefits and independence risks of
 having a long-tenured auditor, and controls and processes that help ensure D&T's independence (see
 the additional information below);
- How effectively D&T demonstrated its independent judgment, objectivity, and professional skepticism;
 and
- The fees paid to D&T, which are reviewed and approved by the Audit Committee and then monitored
 by the Audit Committee throughout the year.

D&T served as the Company's independent accountant for the year ended December 31, 2019. Representatives of that firm are expected to participate in the Annual Meeting. These representatives will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Benefits of a Long-Tenured Independent Accountant

D&T has served as the independent accountant for Pinnacle West since its inception in 1985, and APS since 1932. The Committee carefully considered the tenure of D&T as our independent accountant in making its decision to select D&T as the independent accountant for 2020, including the following benefits that come with long tenure:

- Through more than 80 years of experience with the Company and APS, D&T has gained institutional knowledge of and deep expertise regarding our business operations, including the complexities of a business that is highly regulated at both the state and federal level, our accounting policies and practices and our internal controls over financial reporting; and
- Bringing on a new auditor requires a significant time commitment that could result in additional costs to the Company as well as distract management's focus on financial reporting and internal controls.

Accountant's Independence Controls

In further making its selection of D&T as the independent accountant for 2020, the Committee took into account the following controls over D&T:

- The Audit Committee's oversight of D&T, which included meeting with D&T at every regular in-person
 meeting in 2019, private meetings from time to time as requested by the Audit Committee members,
 and a committee-directed process for selecting the lead partner;
- Pre-approval policies of all services performed by D&T for the Company, and allowing the engagement of D&T only when the Audit Committee or its Chair believes D&T is best suited for the job;
- D&T conducts periodic internal quality reviews of its audit work and rotates lead partners every five years; and
- As an independent public accounting firm, D&T is subject to PCAOB inspections, independent peer reviews, and PCAOB and SEC oversight.

Pre-Approval Policies

As part of its oversight responsibility with respect to the independent accountant and in order to assure that the services provided by the independent accountant do not impair the independent accountant's independence, the Audit Committee has established pre-approval policies with respect to work performed by D&T for the Company. Under that policy, the Audit Committee pre-approves each audit service and non-audit service to be provided by D&T. The Audit Committee has delegated to the Chair of the Audit Committee the authority to pre-approve audit and non-audit services to be performed by D&T if the services are not expected to cost more than \$50,000. Each audit and non-audit service presented to the Chair for pre-approval must be described in sufficient detail so that the Chair knows precisely what services the Chair is being asked to pre-approve so that he can make a well-reasoned assessment of the impact of the service on the independent accountant's independence. The Chair must report any pre-approval decisions to the Audit Committee at its next scheduled meeting. All of the services performed by D&T in 2019 for the Company were pre-approved by the Audit Committee consistent with the pre-approval policy.

Audit Fees

The following fees were paid to D&T for the last two fiscal years:

Types of Service	2018 (\$)	2019 (\$)
Audit Fees(1)	2,894,318	2,861,956
Audit-Related Fees ⁽²⁾	374,903	403,173
Tax Fees	0	0
All Other Fees	Ö	0

The aggregate fees billed for services rendered for the audit of annual financial statements and for review of financial statements included in Reports on Form 10-Q.

Report of the Audit Committee

The Audit Committee is comprised solely of independent directors. Each member meets the NYSE financial literacy requirements, and Messrs. Fox and Nordstrom are "audit committee financial experts" under the SEC rules.

In accordance with its written charter adopted by the Board, the primary function of the Audit Committee is to assist Board oversight of: (a) the integrity of the Company's financial statements; (b) the independent accountant's qualifications and independence; (c) the performance of the Company's internal audit function and independent accountant; and (d) compliance by the Company with legal and regulatory requirements.

The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and are not included in Audit Fees reported above, which primarily consist of fees for employee benefit plan audits performed in 2018 and 2019.

AUDIT MATTERS

The Audit Committee reports as follows:

- 1. The Audit Committee has discussed and reviewed the audited financial statements of the Company as of and for the fiscal year ended December 31, 2019, with the Company's management and the independent accountant, D&T. The Audit Committee is directly responsible for the oversight of the Company's independent accountant. Management is responsible for the Company's financial reporting process, including the Company's system of internal controls and for the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. The independent accountant is responsible for auditing and rendering an opinion on those financial statements, as well as auditing certain aspects of the Company's internal controls. The Audit Committee's responsibility is to monitor these processes.
- The Audit Committee has discussed with D&T the matters required to be discussed by the Statement on Auditing Standards No.1301, Communications with Audit Committees, as amended, and as adopted by the PCAOB.
- 3. The Audit Committee has obtained from D&T and reviewed the written disclosures and the letter required by applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence. The Committee discussed with D&T any relationships that may impact D&T's objectivity and independence and satisfied itself as to the accountant's independence.
- 4. Based on the foregoing, the Audit Committee has recommended to the Board that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, for filing with the SEC.

AUDIT COMMITTEE CHAIR Bruce J. Nordstrom

AUDIT COMMITTEE MEMBERS
Denis A. Cortese, M.D.
Richard P. Fox
Dale E. Klein, Ph.D.
Humberto S. Lopez
David P. Wagener

Ms. Bryan joined the Audit Committee after this report was approved by the Audit Committee.

STOCK MATTERS

Ownership of Pinnacle West Stock

The following table shows the amount of Pinnacle West common stock owned by the Company's directors, the NEOs, our directors and executive officers as a group, and those persons who beneficially own more than 5% of the Company's common stock. Unless otherwise indicated, each shareholder listed below has sole voting and investment power with respect to the shares beneficially owned.

The address of each of the listed shareholders not otherwise set forth below is P.O. Box 53999, Mail Station 8602, Phoenix, Arizona 85072-3999. Unless otherwise indicated, all information is as of March 12, 2020, the Record Date for the Annual Meeting.

Name	Number of Shares Beneficially Owned ⁽¹⁾ (#)	Percent of Class (%)
Directors:	(#)	(70)
Glynis A. Bryan	521	*
Donald E. Brandt ⁽²⁾	29,965	*
Denis A. Cortese, M.D.	14,656	*
Richard P. Fox	8,416	*
Michael L. Gallagher	17,527	*
Jeffrey B. Guldner	26,121	*
Dale E. Klein, Ph.D.	18,131	*
Humberto S. Lopez	52,040	*
Kathryn L. Munro	31,113	*
Bruce J. Nordstrom	29,511	*
Paula J. Sims	5,376	*
James E. Trevathan Jr.	2,178	*
David P. Wagener	12,793	*
Other NEOs:	**************************************	.0
James R. Hatfield	30,064	*
Robert S. Bement	18,666	*
Daniel T. Froetscher	16,266	*
Robert E. Smith	1,284	*
All Directors and Executive Officers as a Group (22 Persons):	354,251	*
5% Beneficial Owners: ⁽³⁾	······································	
BlackRock, Inc. and certain related entities ⁽⁴⁾ 55 East 52 nd Street New York, NY 10055	13,384,199	11.9%
State Street Corporation and certain related entities ⁽⁵⁾ One Lincoln Street Boston, MA 02111	6,544,780	5.8%
The Vanguard Group Inc. ⁽⁶⁾ 100 Vanguard Boulevard Malvern, PA 19355	13,805,893	12.3%

Represents less than 1% of the outstanding common stock.

STOCK MATTERS

- Includes: vested Supplemental RSUs (as defined on page 87 of this Proxy Statement) for the NEOs; vested RSUs and SUs payable in stock for the directors; and associated dividends payable in stock; as follows: Mr. Brandt 29,965; Mr. Hatfield 8,398; Mr. Bement 8,398; Mr. Froetscher 5,024; Mr. Guldner 5,024; Mr. Fox 3,066; Mr. Gallagher 9,740; Dr. Klein 18,031; Ms. Munro 14,531; Ms. Sims 2,960; and Mr. Trevathan 1,301. The following shares are held jointly: Mr. Froetscher 4,403; Dr. Klein 100; Mr. Nordstrom 28,011; Mr. Smith 1,284; and Mr. Trevathan 877. The following shares are held in joint trusts: Dr. Cortese 14,656; Mr. Gallagher 7,787; Mr. Hatfield 21,638; Mr. Lopez 52,040; Ms. Munro 16,582; and Mr. Wagener 12,793.
- ⁽²⁾ Mr. Brandt retired on November 15, 2019.
- (3) The Company makes no representations as to the accuracy or completeness of the information in the fillings reported in footnotes 4-6.
- BlackRock, Inc. Schedule 13G/A filing, dated February 3, 2020, relating to a parent holding company and certain affiliates, reports beneficial ownership as of December 31, 2019 of 13,384,199 shares, with sole voting power as to 11,992,401 shares and sole dispositive power as to 13,384,199 shares. The Company maintains normal commercial relationships with BlackRock, Inc. and its subsidiaries. The Company does not consider these relationships to be material.
- State Street Corporation Schedule 13G filing, filed February 13, 2020, relating to a parent holding company and certain affiliates, reports beneficial ownership as of December 31, 2019 of 6,544,780 shares, with shared voting power as to 5,621,765 and shared dispositive power as to 6,522,593 shares. The Company maintains normal commercial relationships with State Street Corporation and its subsidiaries. The Company does not consider these relationships to be material.
- (5) The Vanguard Group, Inc. Schedule 13G/A, dated February 10, 2020, reports beneficial ownership as of December 31, 2019 of 13,805,893 shares with shared voting power as to 84,372 shares, sole voting power as to 193,704 shares, shared dispositive power as to 239,702 shares, and sole dispositive power as to 13,566,191 shares; Vanguard Fiduciary Trust Company as beneficial owner of 126,727 shares; and Vanguard Investments Australia, Ltd., as beneficial owner of 177,447 shares.

SHAREHOLDER PROPOSAL

PROPOSAL 4

Shareholder Proposal Seeking to Reduce Ownership Threshold to Call Special Shareholder Meetings



The Board of Directors recommends a vote AGAINST this proposal

Mr. John Chevedden, 2215 Nelson Avenue, No. 205, Redondo Beach, California 90278, a beneficial owner of 50 shares of common stock of the Company, the proponent of a shareholder proposal, has stated that he intends to present a proposal at the Annual Meeting. The proposal and supporting statement, for which the Board of Directors accepts no responsibility, is set forth below. The Board of Directors opposes the shareholder proposal for the reasons set forth following the shareholder proposal.

Proposal 4 - Special Shareholder Meetings

Resolved, Shareowners ask our board to take the steps necessary to amend our bylaws and each appropriate governing document to give the owners of a total of 10% of our outstanding common stock the power to call a special shareowner meeting (or the closest percentage to 10% according to state law). This proposal does not impact our board's current power to call a special meeting. Pinnacle West shareholders permanently lack the power to act by written consent.

Adoption of this proposal topic could include a provision that a 20% stock ownership threshold would apply if a single shareholder calling for a special meeting owned 10% or more of Pinnacle West Capital stock.

Special shareholder meetings allow shareholders to vote on important matters, such as electing new directors that can arise between annual meetings. This proposal topic, sponsored by William Steiner, won 78% support at a Sprint annual meeting. This proposal won 46%-support at the 2019 Pinnacle West Capital annual meeting without the above 20% stock ownership threshold carve out. The 2019 proposal also received majority support from the shareholders who had access to independent proxy voting advice.

The current stock ownership threshold of 25% can mean that more than 50% of shareholders must be contacted during the prescribed short window of time to simply call a special meeting. Plus many shareholders, who are convinced that a special meeting should be called, can make a small paperwork error that will disqualify them from counting toward the ownership threshold that is needed for a special meeting.

SHAREHOLDER PROPOSAL

Plus we will never have a right to act by written consent since our company is incorporated in Arizona which is lax in not giving shareholders any right to act by written consent.

Any claim that a shareholder right to call a special meeting can be costly – may be moot. When shareholders have a good reason to call a special meeting – our board should be able to take positive responding action to make a special meeting unnecessary.

Shareholder proposals such as this have taken a leadership role to improve the corporate governance rules of our company. For instance a shareholder proposal by Emil Rossi resulted in our company adopting one-year terms for our directors to replace the previous lax 3-year terms.

And there is more work for shareholders to do since we have 3 directors who each have more than 20-years long-tenure. Long-tenure is the opposite of director independence. These directors also had a bloated influence on an important board committee – holding all the seats on the corporate governance committee. Perhaps shareholders are becoming impatient with these super long-tenured directors because Kathryn Munro, our Lead Director with 20-years long-tenure, was rejected by more shares than any other Pinnacle West director in 2019.

Please vote yes:

Special Shareholder Meetings – Proposal 4

Board of Directors Response

The Board of Directors has carefully reviewed the proposal and recommends that the shareholders vote **AGAINST** it.

Our Shareholders Already have the Right to Call Special Shareholder Meetings

In 2019 we received a substantially similar proposal from this proponent requesting that we reduce the threshold to call a special meeting to 10% from 25%. At the 2019 Annual Meeting, shareholders voted in favor of management, rejecting the proposal by a margin of 7.2%. As part of our annual shareholder engagement program, we discussed the topic with shareholders to get a better understanding of their preferences with regards to the threshold to calling a special meeting. As a result of these discussions, we found that there was no consensus from our shareholders as to what they believed the proper threshold should be, though a majority of them did not believe 10% was the proper threshold, as reflected in the 2019 vote results. However, during our conversations with shareholders, some shareholders did express a preference of a threshold less than 25%. As a result of this engagement with our shareholders, our Board voted to address these preferences.

In February 2020, after thoughtful deliberation, the Board of Directors voted to amend the Company's Bylaws to reduce the threshold required to call a special meeting. Shareholders holding 15% or more of the Company's outstanding shares of common stock have the right to call special meetings, provided certain conditions and requirements are met, including a one-year holding period. The Board strongly believes that the current 15% threshold is a reasonable and meaningful threshold affording shareholders a significant right and is part of an entire suite of rights that the Company provides to its shareholders.

We Have Established Multiple Governance Mechanisms to Ensure Accountability of the Board and Management to Shareholders

In addition to the existing right of shareholders to call a special meeting by shareholders holding 15% of the Company's outstanding stock, the Board has in place robust corporate governance policies that provide shareholders with a meaningful voice to communicate their priorities to the Board and management. While the Proponent dismisses or ignores these rights, they are meaningful opportunities for shareholders to voice their concerns. These rights include:

- Annual director elections with a director resignation policy;
- Annual votes on the advisory "say-on-pay" vote on executive compensation;
- Proxy access, which is described on page 19:
- Cumulative voting for the election of directors; and
- No supermajority voting provisions.

In addition, Pinnacle West regularly engages with shareholders to solicit and discuss their views on governance, executive compensation, and other matters, and feedback received from shareholders as part of our engagement program is provided to the Board. Our shareholder engagement program is described on pages 35-36.

Moreover, a 15% threshold is also the same as, or lower than, the special meeting rights at 87% of 468 S&P 500 companies surveyed by FactSet. Reducing the threshold to 10% could cause Pinnacle West to spend time and resources on a special meeting even if holders of up to 90% of our shares do not want a special meeting. If the proposal were adopted, a relatively small minority of shareholders – potentially with narrow, short-term interests - could call an unlimited number of special meetings, without regard to how the direct costs and other burdens might impact the Company's future success or the interests of the vast majority of shareholders. Holding a special meeting at the request of such a small minority of shareholders has the potential to injure the Company as they demand significant attention from the Board of Directors and senior management and they disrupt normal business operations. As a result, we believe special meetings should be limited to when there are urgent and important strategic matters or profound fiduciary concerns.

Our strong corporate governance policies and practices, including the ability of a reasonable minority of shareholders to call special meetings, already provide our shareholders with a significant ability to raise important matters with the Board and senior management. Accordingly, we believe that this shareholder proposal is not in the best interests of Pinnacle West and its shareholders, and for the reasons described above, the Board recommends that shareholders vote AGAINST this shareholder proposal.

GENERAL INFORMATION

Time, Date and Place

The Company's 2020 Annual Meeting of Shareholders ("Annual Meeting") will be held at 10:30 a.m., Mountain Standard Time, on Wednesday, May 20, 2020. The Annual Meeting will not be held at a physical location, but will instead be held virtually, where shareholders will participate by accessing a website using the Internet. The Annual Meeting will be accessed at www.virtualshareholdermeeting.com/PNW. To participate in the Annual Meeting, you will need the 16-digit control number included on the proxy card, the Internet Notice or the voting instruction form. Online check-in will begin at 10:15 a.m. Mountain Standard Time, and you should allow ample time for the online check-in proceedings. We will have technicians standing by ready to assist you with any technical difficulties you may have accessing the virtual meeting. If you encounter any difficulties accessing the virtual meeting during the check-in or meeting time, please call: 855-449-0991. An audio broadcast of the Annual Meeting will be available by telephone toll-free at 877-328-2502 (domestic) or 412-317-5419 (international). Upon dialing in, you will need to provide your 16-digit control number. Depending on concerns about the Coronavirus or COVID-19, we may need to postpone the meeting. The Company would publicly announce a determination to postpone the meeting in a press release available at www.pinnaclewest.com as soon as practicable before the meeting.

We continue to believe that the virtual-only format is in the best interests of our shareholders, given the time and expense of an in-person meeting compared to the shareholder participation at those meetings. The number of non-employee shareholders actually attending our Annual Meetings of Shareholders had significantly dwindled before we converted to the virtual only format. For the past five in-person meetings, only about 30 shareholders attended each of the meetings. The meetings, on average, lasted less than 45 minutes, including the formal business portion of the meeting, the remarks by the CEO, a video highlighting the Company's performance, and the question and answer period. A virtual meeting allows all of our shareholders, regardless of location, the ability to participate in the Annual Meeting.

Our virtual meeting will be governed by our Rules of Conduct, which we use for both in-person and virtual meetings. Shareholders at the virtual-only meeting will have the same rights as at an in-person meeting, including the rights to vote and ask questions through the virtual meeting platform. In the event we are not able to answer all the questions that are asked during the meeting, a list of all questions asked that comply with the Rules of Conduct that were not responded to during the meeting, and our response, will be posted on our website shortly after the meeting. Given the concerns about Coronavirus, or COVID-19, we may alter the agenda of the 2020 Annual Meeting to accommodate the safety of our employees who work to make the Annual Meeting possible.

Notice of Internet Availability

Unless you elected to receive printed copies of the proxy materials in prior years, you will receive a Notice of Internet Availability of Proxy Materials by mail, or if you so elected, by electronic mail (the "Internet Notice"). The Internet Notice will tell you how to access and review the proxy materials. If you received an Internet Notice by mail and would like to receive a printed copy of the proxy materials, you should follow the instructions included on the Internet Notice.

The Internet Notice is first being sent to shareholders on or about April 6, 2020. The Proxy Statement and the form of proxy relating to the Annual Meeting are first being made available to shareholders on or about April 6, 2020.

Record Date; Shareholders Entitled to Vote

All shareholders at the close of business on March 12, 2020 (the "Record Date") are entitled to vote at the meeting. Each holder of outstanding Company common stock is entitled to one vote per share held as of the Record Date on all matters on which shareholders are entitled to vote, except for the election of directors, in which case "cumulative" voting applies (see "Vote Required — Election of directors"). At the close of business on the Record Date, there were 112,488,837 shares of common stock outstanding.

Voting



VOTE PRIOR TO THE ANNUAL MEETING BY INTERNET. The website address for Internet voting is on the proxy card, the Internet Notice and the voting instruction form. Internet voting is available 24 hours a day.



VOTE PRIOR TO THE ANNUAL MEETING BY TELEPHONE. The toll-free number for telephone voting is on the proxy card, the Internet Notice and the voting instruction form. Telephone voting is available 24 hours a day.



VOTE PRIOR TO THE ANNUAL MEETING BY SCANNING THE QR CODE. The QR code is on the proxy card, the Internet Notice and the voting instruction form, and is available 24 hours a day.



VOTE PRIOR TO THE ANNUAL MEETING BY MAIL. You may vote by mail by promptly marking, signing, dating, and mailing your proxy card or voting instruction form (a postage-paid envelope is provided for mailing in the United States).



VOTE DURING THE ANNUAL MEETING OVER THE INTERNET. To participate in the Annual Meeting, you will need the 16-digit control number included on the proxy card, the Internet Notice or the voting instruction form. Shares held in your name or shares for which you are the beneficial owner but not the shareholder of record may be voted electronically during the formal business portion of the Annual Meeting. Shares held in the Pinnacle West 401(k) Plan cannot be voted during the Annual Meeting. If you hold shares in the Pinnacle West 401(k) Plan, you will need to submit your vote to the plan trustee no later than midnight on May 17, 2020 to vote your shares.

You may change your vote by: re-voting by telephone; re-voting by Internet; or re-voting during the formal business portion of the Annual Meeting. For shares held in your name, you may change your vote by re-submitting a signed proxy card. In addition, for shares held in your name, you may also revoke a previously submitted proxy card by filing with our Corporate Secretary a written notice of revocation. For shares for which you are the beneficial owner but not the shareholder of record, you may change your vote by re-submitting a signed voting instruction form to your broker. In addition, for shares for which you are the beneficial owner but not the shareholder of record, you should contact your broker if you would like to revoke your vote.

Your vote is confidential. Only the following persons have access to your vote: election inspectors; individuals who help with the processing and counting of votes; and persons who need access for legal reasons. All votes will be counted by an independent inspector of elections appointed for the Annual Meeting.

Quorum

The presence, in person or by proxy, of a majority of the outstanding shares of our common stock is necessary to constitute a quorum at the Annual Meeting. In counting the votes to determine whether a quorum exists, shares that are entitled to vote but are not voted at the direction of the beneficial owner (called abstentions) and votes withheld by brokers in the absence of instructions from beneficial owners (called broker non-votes) will be counted for purposes of determining whether there is a quorum. Shares owned by the Company are not considered outstanding or present at the meeting.

Vote Required

Election of Directors

Individuals receiving the highest number of votes will be elected. The number of votes that a shareholder may, but is not required to, cast is calculated by multiplying the number of shares of common stock owned by the shareholder, as of the Record Date, by the number of directors to be elected. Any shareholder may cumulate his or her votes by casting them for any one nominee or by distributing them among two or more nominees. Abstentions will not be counted toward a nominee's total and will have no effect on the election of directors. You may not cumulate your votes against a nominee. If you hold shares in your own name and would like to exercise your cumulative voting rights, you must do so by mail. If you hold shares beneficially through a broker, trustee or other nominee and wish to cumulate votes, you should follow the instructions on the voting instruction form.

Say-on-Pay Vote

The votes cast "for" must exceed the votes cast "against" to approve the advisory resolution on the compensation disclosed in this Proxy Statement of our NEOs identified on page 49 — the say-on-pay vote. This resolution is not intended to address any specific item of compensation, but rather the overall compensation of the NEOs and the compensation philosophy, policies and procedures described in this Proxy Statement. Because your vote is advisory, it will not be binding on the Board or the Company. The Board will review the voting results and take them into consideration when making future decisions regarding executive compensation. Abstentions and broker non-votes will have no effect on the outcome of this proposal. We will hold an advisory vote on say-on-pay on an annual basis until we next hold an advisory vote of shareholders on the frequency of such votes as required by law.

Ratification of the Appointment of the Independent Accountant and Approval of the Shareholder Proposal

The votes cast "for" must exceed the votes cast "against" to ratify the appointment of the independent accountant for the year ending December 31, 2020 and for the approval of the shareholder proposal. Abstentions and broker non-votes will have no effect on the outcome of either item. Because your vote is advisory, it will not be binding on the Board or the Company. However, the Board will review the voting results and take into consideration our shareholders' views.

Board Recommendations

The Board recommends a vote:

- FOR the election of the nominated slate of directors (Proposal 1);
- FOR the approval, on an advisory basis, of the resolution approving the compensation of our NEOs, as disclosed in this Proxy Statement (Proposal 2):
- FOR the ratification of the appointment of D&T as the Company's independent accountant for the year ending December 31, 2020 (Proposal 3); and
- AGAINST the shareholder proposal (Proposal 4).

The Board is not aware of any other matters that will be brought before the shareholders for a vote. If any other matters properly come before the meeting, the proxy holders will vote on those matters in accordance with the recommendations of the Board or, if no recommendations are given, in accordance with their own judgment. The shareholder proposal will be voted on only if properly presented at the meeting.

Delivery of Annual Reports and Proxy Statements to a Shared Address and Obtaining a Copy

If you and one or more shareholders share the same address, it is possible that only one Internet Notice, Annual Report or Proxy Statement was delivered to your address. Registered shareholders at the same address who wish to receive separate copies of the Internet Notice, the Annual Report or Proxy Statement may:

- Call the Company's Shareholder Services Department at 1-602-250-5511;
- Mail a request to Shareholder Services at P.O. Box 53999, Mail Station 8602, Phoenix, Arizona. 85072-3999; or
- E-mail a request to: shareholderdept@pinnaclewest.com.

The Company will promptly deliver to you the information requested. Registered shareholders who share the same address but wish to receive one Internet Notice, Annual Report or Proxy Statement may contact the Company through the same methods listed above. Shareholders who own Company stock through a broker and who wish to receive single or separate copies of the Internet Notice, Annual Report or Proxy Statement should contact their broker.

You may access our Annual Report and Proxy Statement via the Internet. Copies of the Annual Report and Proxy Statement are available on the Company's website (www.pinnaclewest.com) and will be provided to any shareholder promptly upon request. Shareholders may request copies from Shareholder Services at the telephone number or addresses set forth above, or as described on the Internet Notice.

Shareholder Proposals for the 2021 Annual Meeting

To be included in the proxy materials for the 2021 Annual Meeting of Shareholders (the "2021 Annual Meeting"), any shareholder proposal intended to be presented must be received by our Corporate Secretary no later than December 7, 2020 at the following address:

Corporate Secretary
Pinnacle West Capital Corporation
400 North Fifth Street, Mail Station 8602
Phoenix, Arizona 85004

A shareholder who intends to present a proposal at the 2021 Annual Meeting, but does not wish it to be included in the 2021 proxy materials, must submit the proposal no earlier than January 20, 2021 and no later than the close of business on February 19, 2021.

Proxy Solicitation

The Board is soliciting the enclosed proxy. The Company may solicit shareholders over the Internet, by telephone or by mail. The Company has retained D.F. King & Co., Inc. to assist in the distribution of proxy solicitation materials and the solicitation of proxies for \$11,000, plus customary expenses, and fees for additional services requested which are expected to not exceed \$65,000. The costs of the solicitation will be paid by the Company. Proxies may also be solicited in person, by telephone or electronically by Company personnel who will not receive additional compensation for such solicitation. As required, the Company will reimburse brokerage houses and others for their out-of-pocket expenses in forwarding documents to beneficial owners of our stock.

OTHER MATTERS

Related Party Transactions

The Corporate Governance Committee is responsible for reviewing and approving all transactions with any related party, which consists of any of our directors, director nominees, executive officers, shareholders owning more than 5% of the Company's common stock and, with respect to each of them, their immediate family members and certain entities in which they are an officer or a shareholder. partner, member or other participant who, directly or indirectly, has a substantial ownership interest in or otherwise substantially controls or shares control of such entity (a "Related Party"). This obligation is set forth in writing in our Statement of Policy Regarding Related Party Transactions (the "Policy").

To identify Related Party Transactions, as defined in the Policy, each year the Company requires our directors and officers to complete director and officer questionnaires identifying any transactions with the Company in which a Related Party has an interest. We review Related Party Transactions due to the potential for a conflict of interest. A conflict of interest occurs when an individual's private interest interferes, or appears to interfere, in any way with our interests. The Code of Ethics requires all directors. officers, and employees who may have a potential or apparent conflict of interest to notify the Company's management. In addition, the Policy specifically provides that any Related Party Transaction must be approved or ratified by the Corporate Governance Committee. A "Related Party Transaction" is any transaction or a series of similar transactions in which the Company or any of its subsidiaries is or was a participant, where the amount involved exceeds \$120,000 in the aggregate, and in which any Related Party has a direct or indirect material interest, other than:

- Transactions in which rates or charges are fixed in conformity with law or governmental authority (such as APS rates approved by the ACC);
- Transactions in which the rates or charges are determined by competitive bid; or
- The payment of compensation by the Company to the executive officers, directors, or nominees for directors.
- Based on the Policy, SEC rules, and our review, we had no Related Party Transactions in 2019.

Glynis A. Bryan, a Director since February 2020, is the Chief Financial Officer of Insight Enterprises, Inc. ("Insight"). Insight is a technology company and a vendor of APS providing information technology services and computer hardware and software products. For these products and services, APS paid less than \$6,700,000 to Insight in 2019, which is less than 1% of the Company's and Insight's revenues for 2019. Because the amounts paid to Insight were such a small portion of its total revenues, the Corporate Governance Committee has determined that these payments are not material to Ms. Bryan.

Human Resources Committee Interlocks and Insider Participation

The members of the Human Resources Committee in 2019 were Ms. Munro, Dr. Cortese, and Messrs. Fox, Lopez and Trevathan. None of the members of the Human Resources Committee is or has been an officer or employee of the Company or any of its subsidiaries and no executive officer of the Company served on the compensation committee or board of any company that employed, or had as an officer, any member of the Human Resources Committee or the Board.

HELPFUL RESOURCES

Our Company

Pinnacle West Capital Corporation:

http://www.pinnaclewest.com

APS:

http://www.APS.com

Annual Meeting

Annual meeting online:

http://www.virtualshareholdermeeting.com/PNW

Proxy materials:

http://www.proxyvote.com

Board of Directors

Pinnacle West Board:

http://www.pinnaclewest.com/about-us/corporate-governance/board-of-directors/

Board Committees

Audit Committee Charter:

http://www.pinnaclewest.com/about-us/corporate-governance/committee-

summary/audit-committee/

Corporate Governance Committee Charter:

http://www.pinnaclewest.com/about-us/corporate-governance/committee-

summary/corporate-governance-committee

Finance Committee Charter:

http://www.pinnaclewest.com/about-us/corporate-governance/committee-

summary/finance-committee

Human Resources Committee Charter:

http://www.pinnaclewest.com/about-us/corporate-governance/committee-

summary/human-resources-committee/

Nuclear and Operating Committee Charter:

http://www.pinnaclewest.com/about-us/corporate-governance/committee-

summary/nuclear-and-operating-committee/

Governance Documents

Code of Ethics and Business Practices:

http://www.pinnaclewest.com/about-us/corporate-governance/code-of-ethics-and-

business-practices/

Code of Ethics for Financial Executives:

http://www.pinnaclewest.com/about-us/corporate-governance/code-of-ethics-for-

financial-executives/

Corporate Governance Guidelines:

http://www.pinnaclewest.com/about-us/corporate-governance/corporate-

governance-guidelines/

Other

APS's Clean Energy Commitment:

http://www.aps.com/cleanenergy/

Corporate Responsibility Report:

http://www.pinnaclewest.com/corporate-responsibility/

Political Participation Policy:

http://www.pinnaclewest.com/about-us/corporate-governance/Political-

Participation-Policy

HELPFUL RESOURCES

The information contained in these documents and websites are not incorporated by reference.

This Proxy Statement contains forward-looking statements based on current expectations. These forward-looking statements are often identified by words such as "estimate," "predict," "may," "believe," "plan," "expect," "require," "intend," "assume" and similar words. Because actual results may differ materially from expectations, we caution you not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from outcomes currently expected or sought by us. A discussion of some of these risks and uncertainties is contained in our Annual Report on Form 10-K and is available on our website at pinnaclewest.com, which you should review carefully before placing any reliance on our forward-looking statements or disclosures. We assume no obligation to update any forward-looking statements, even if our internal estimates change, except as may be required by applicable law.

Employee Network Groups

To encourage employees to challenge themselves, develop additional skills and advance within their chosen fields, the Company supports 10 employee networks that enable employees to connect with one another and promote career development:



The African American Network for Diversity and Inclusion's mission is to create a collaborative and highly engaged network of African-American employees that promote the interests of AANDI, its strategic initiatives and the values of APS.



The Lesbian, Gay, Bisexual & Transgender Alliance's mission is to build a community at APS to further support diversity and provide opportunities for members to achieve their professional and personal best through culture, communications, commerce and careers.



The Veteran Engagement, Transition & Retention Network's mission is to develop opportunities benefiting our honored Arizona veterans. We strive to promote their service to our country, leadership skills, and the achievements of veterans in the organization.



Women in Search of Excellence's mission is to build a community at APS to further develop women as they achieve their personal and professional excellence.



Palo Verde Young Generation in Nuclear's mission is to unite young professionals for the purpose of strengthening its community by focusing on the success of nuclear technology.



Palo Verde Women in Nuclear's mission is to promote an environment in which all employees are able to succeed while working to encourage public awareness about nuclear energy.



The Native American Network Organization's mission is to attract and develop Native American talent by providing professional development opportunities, assisting in recruiting and retention, and encouraging community development.



Next Gen's mission is to unite professionals new to the utility industry by providing professional development opportunities, enhance recruitment and retention, and organize community outreach programs.

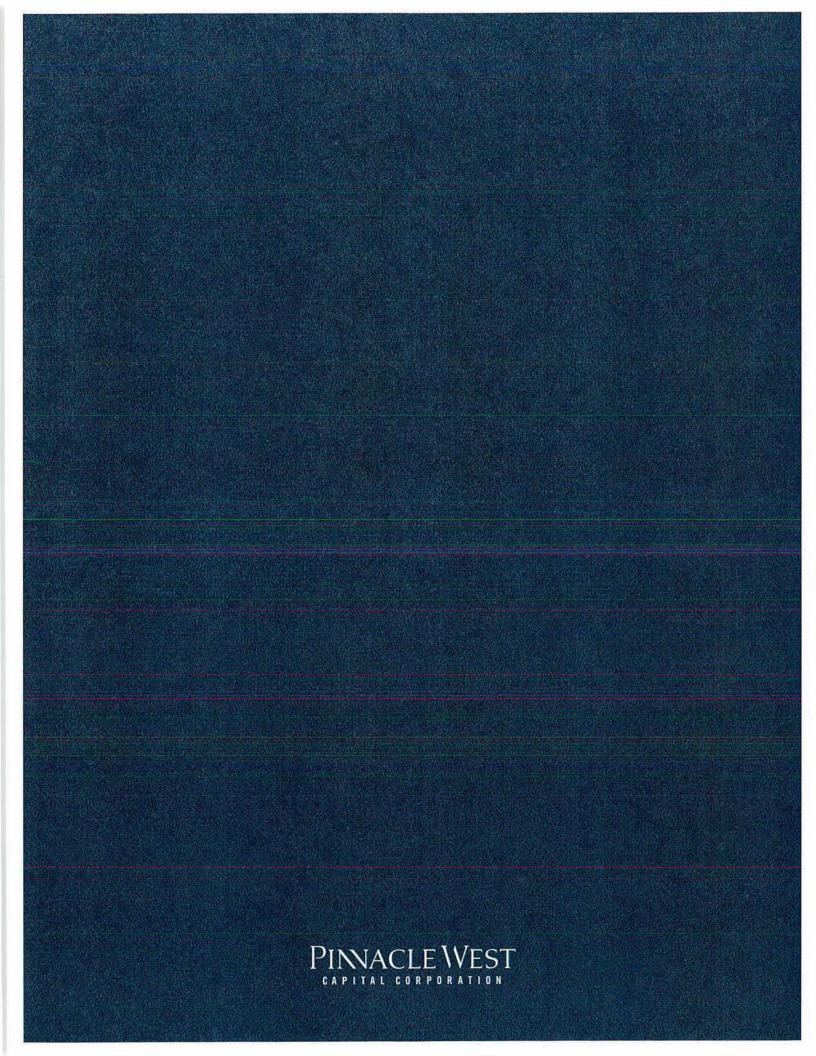


The Hispanic Organization for Leadership and Advancement promotes a culture of inclusiveness and community stewardship across APS, as well as develops high-performing leaders in pursuit of operational excellence and continuous self-improvement.

NEW IN 2019



Links connects mid-to-late career employees with opportunities for development, networking and engagement.



DOCKET NO. E-01345A-19-0236

Exhibit FWR-34 – APS Bond Offering Prospectus dated 8-8-2020

Filed Pursuant to Rule 424(b)(2) Registration No. 333-224366-01

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Offered	Maximum Aggregate Offering Price	Amount of Registration Fee(1)	
2.65% Notes due 2050	\$400,000,000	\$51,920	

(1)

Calculated in accordance with Rule 456(b) and Rule 457(r) of the Securities Act of 1933. This "Calculation of Registration Fee" table shall be deemed to update the "Calculation of Registration Fee" table in Registration Statement on Form S-3 (file No. 333-224366-01), which was filed on April 20, 2018.

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PROSPECTUS SUPPLEMENT (To Prospectus Dated April 20, 2018) \$400,000,000



Arizona Public Service Company

2.65% Notes due 2050

This is an offering by Arizona Public Service Company of \$400,000,000 of its 2.65% Notes due 2050, referred to in this prospectus supplement as the "notes." Interest on the notes is payable semi-annually in arrears on March 15 and September 15 of each year, beginning on March 15, 2021. The notes will mature on September 15, 2050. We may redeem some or all of the notes at any time at the applicable redemption price described under the caption "Description Of The Notes—Optional Redemption" in this prospectus supplement. The notes do not have sinking fund provisions. The notes will be issued only in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. The notes are a new issue of securities with no established trading market. We do not intend to apply to list the notes on any securities exchange or quotation system.

The notes will be our unsecured senior obligations and will rank equally with all of our other unsecured senior indebtedness from time to time outstanding.

Investing in the notes involves risks. See "Risk Factors" on page <u>S-5</u> of this prospectus supplement and the "Risk Factors" sections of our <u>Annual Report on Form 10-K for the year ended December 31, 2019</u> and our Quarterly Reports on Form 10-Q for the quarters ended <u>March 31, 2020</u> and <u>June 30, 2020</u>, which are incorporated by reference into this prospectus supplement and the accompanying prospectus.

	Per Note	Total
Initial public offering price(1)	99.609%	\$398,436,000
Underwriting discount	0.875%	\$ 3,500,000
Proceeds, before expenses, to Arizona Public Service Company	98.734%	\$394,936,000

(1) Plus accrued interest, if any, from September 11, 2020 to the date of delivery, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the notes to purchasers in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York on or about September 11, 2020.

Joint Book-Running Managers

BofA Securities

J.P. Morgan

Mizuho Securities

US Bancorp

RBC Capital Markets

Scotiabank

Co-Managers

Academy Securities

C.L. King & Associates

The date of this prospectus supplement is September 8, 2020.

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This prospectus supplement, the accompanying prospectus and any related free writing prospectus required that we file with the Securities and Exchange Commission (the "SEC") contain and incorporate by reference information that you should consider when making your investment decision. Neither we nor the underwriters have authorized anyone to provide you with different information. We are not, and the underwriters are not, making an offer of the notes in any jurisdiction where the offer or sale is not permitted. You should not consider this prospectus supplement and the accompanying prospectus to be an offer to sell, or a solicitation of an offer to buy, the notes if the person making the offer or solicitation is not qualified to do so or if it is unlawful for you to receive the offer or solicitation. You should assume that the information contained in this prospectus supplement and the accompanying prospectus is accurate only as of their respective dates and that the information incorporated by reference is accurate only as of the date such information is filed with the SEC, regardless of the time of delivery of any document or of any sale of the notes. If anyone provides you with different or inconsistent information, you should not rely on it. Our business, financial condition, results of operations and prospects may have changed since the date on any document.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of the offering of the notes and also adds to and updates information contained in the accompanying prospectus

and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information, some of which will not apply to the notes. If the description of the offering varies between this prospectus supplement and the accompanying prospectus (or information incorporated by reference into this prospectus supplement or the accompanying prospectus), you should rely on the information in this prospectus supplement. The accompanying prospectus also includes information about Pinnacle West Capital Corporation and its securities, which information does not apply to the notes. We are a wholly owned subsidiary of Pinnacle West Capital Corporation. The notes are solely our obligations and not obligations of Pinnacle West Capital Corporation. Pinnacle West Capital Corporation is not guaranteeing or providing any credit support for the notes. You should read both this prospectus supplement and the accompanying prospectus together with the additional information about us described in the section entitled "Where You Can Find More Information."

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed jointly with our parent company, Pinnacle West Capital Corporation, with the SEC using a "shelf" registration process as a "well-known seasoned issuer." Under the shelf registration process, we may, from time to time, issue and sell to the public any of our unsecured debt securities described in the accompanying prospectus, including the notes, up to an indeterminate amount, of which this offering is a part. In this prospectus supplement, we provide you with specific information about the terms of the notes and this offering.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere, or incorporated by reference, in this prospectus supplement and the accompanying prospectus. As a result, it does not contain all of the information that may be important to you. You should carefully read this prospectus supplement and the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus in their entirety before making an investment decision. We describe the documents that we incorporate by reference under the caption "Where You Can Find More Information" in this prospectus supplement, including in particular the information set forth and referred to under "Risk Factors" in this prospectus supplement. The following material is qualified in its entirety by reference to the detailed information and financial statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus. References in this prospectus supplement to "we," "our" and "us" refer to Arizona Public Service Company and, unless the context requires otherwise, its subsidiaries.

Arizona Public Service Company

We were incorporated in 1920 under the laws of the State of Arizona and are a wholly owned subsidiary of Pinnacle West Capital Corporation ("Pinnacle West"). We are a vertically integrated electric utility that provides either retail or wholesale electric service to most of the State of Arizona, with the major exceptions of about one-half of the Phoenix metropolitan area, the Tucson metropolitan area and Mohave County in northwestern Arizona. We currently have approximately 1.3 million customers. Our principal executive offices are located at 400 North Fifth Street, P.O. Box 53999, Phoenix, Arizona 85072-3999, and our telephone number is 602-250-1000.

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The Offering

Issuer

Arizona Public Service Company.

Securities Offered

\$400,000,000 of 2.65% Notes due 2050.

Maturity

September 15, 2050.

Interest Rate

2.65% per annum.

Interest Payment Dates

March 15 and September 15 of each year, beginning March 15, 2021 (and including the date of maturity). Record Date for Interest Payments

The record date for interest payments on the notes will be March 1 for the March 15 interest payment date and September 1 for the September 15 interest payment date.

Use Of Proceeds

We intend to allocate an amount equal to the net proceeds from the sale of the notes to pay or reimburse the payment of, in whole or in part, existing and future "Eligible Green Expenditures" as described under "Use Of Proceeds".

Optional Redemption

As described under the caption "Description Of The Notes—Optional Redemption," all or a portion of the notes may be redeemed at our option at any time or from time to time on at least 10 days' but not more than 60 days' notice before the redemption date. The redemption price for any notes to be redeemed on any redemption date prior to March 15, 2050 (which is defined as the Par Call Date under "Description Of The Notes—Optional Redemption" in this prospectus supplement) will be equal to the greater of (a) 100% of the principal amount of the notes being redeemed on the redemption date and (b) the applicable make-whole price, plus, in each case, accrued and unpaid interest thereon to the redemption date as described under "Description Of The Notes—Optional Redemption" in this prospectus supplement. The redemption price for any notes to be redeemed on or after the Par Call Date will be equal to 100% of the principal amount of the notes being redeemed on the redemption date, plus accrued and unpaid interest thereon to the redemption date. Ranking

The notes will be our unsecured senior obligations, will rank equally in right of payment with all of our other unsecured senior indebtedness from time to time outstanding and will be effectively subordinated to any secured indebtedness we may issue or incur in the future. As of June 30, 2020, we had approximately \$5.7 billion aggregate principal amount of unsecured senior indebtedness (including \$220 million of short-term debt) outstanding.

Covenants

The notes will be subject to the limitation on liens covenant described under the caption "Description Of The Notes—Limitation on Liens" in this prospectus supplement. However, this covenant is subject to a number of important exceptions and qualifications, including an exception permitting secured debt in an amount that does not exceed 10% of Tangible Assets (as defined in that description), which, at June 30, 2020, was approximately \$1.9 billion. As of June 30, 2020, we had no outstanding secured debt.

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Form of Notes

The notes will be represented by one or more global securities to be deposited with the trustee as custodian for The Depository Trust Company ("DTC") in a minimum denomination of \$2,000 and any integral multiple of \$1,000 in excess thereof.

Trustee

The Bank of New York Mellon Trust Company, N.A. See "Description Of The Notes—Regarding the Trustee" in this prospectus supplement.

Risk Factors

Your investment in the notes involves risks. You should carefully consider the information referred to or as described under the caption "Risk Factors," the "Risk Factors" sections of our <u>Annual Report on Form 10-K</u>

for the year ended December 31, 2019 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2020 and June 30, 2020 and the other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus, including information under the caption "Forward-Looking Statements" in this prospectus supplement, before deciding whether to purchase the notes.

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Summary Financial Data

We are providing the following summary financial data to assist you in analyzing an investment in the notes. We derived the summary financial data presented below for each of the three years in the period ended December 31, 2019 from our annual financial statements, which have been audited by Deloitte & Touche LLP, an independent registered public accounting firm. The following summary financial data as of June 30, 2020 and for the six months ended June 30, 2020 and 2019 is unaudited, but, in the judgment of our management, contains all necessary adjustments for a fair presentation of our financial position on that date and the results of operations for that period. The information below should be read in conjunction with, and is qualified in its entirety by, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (the "2019 Form 10-K") and in our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2020 and June 30, 2020, as well as in our financial statements, related notes and other financial or statistical information that we include or incorporate by reference in this prospectus supplement and the accompanying prospectus. See "Where You Can Find More Information" in this prospectus supplement. These summary financial data do not necessarily indicate the results to be expected in the future.

	Six Months Ended June 30,		Year Ended December 31,		
(All dollar figures in thousands, except footnotes)	2020	2019	2019	2018	2017
Operating Revenues	\$1,591,520	\$1,610,031	\$3,471,209	\$3,688,342	\$3,557,652
t Income Attributable to Common Shareholder	\$ 232,463	\$ 178,452	\$ 565,271	\$ 570,265	\$ 504,309

	As of June 30, 2020	As Adjusted(1)	
Long-term Debt(2)	\$ 5,425,551	\$ 5,825,551	
Total Equity(3)	6,054,137	6,054,137	
Total Capitalization	\$11,479,688	\$11,879,688	

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As adjusted for the issuance of the notes. See "Use Of Proceeds" in this prospectus supplement.

Includes unamortized debt discount/premium and debt issuance costs of approximately \$50.6 million.

(3)

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RISK FACTORS

You should carefully consider the following risk factor. See also the discussions of risk factors contained in the accompanying prospectus and in Part I, Item 1A of the 2019 Form 10-K and Part II, Item 1A of our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2020 and June 30, 2020, which are incorporated by reference in this prospectus supplement and the accompanying prospectus, to read about certain risks relating to our business and an investment in the notes.

An investment in the notes involves a significant degree of risk. Before investing in the notes, you should carefully consider the discussion of those risks and the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, including the risks and uncertainties described below and the information under the caption "Forward-Looking Statements" in this prospectus supplement. Although we try to discuss material risks in these risk factors and other information, please be aware that other risks may prove to be important in the future. New risks may emerge at any time and we cannot predict those risks or estimate the extent to which they may affect our business, financial condition, cash flows or operating results.

The notes may not be a suitable investment for all investors seeking exposure to green assets, and the market price of the notes may be adversely affected by a failure to allocate the proceeds from the sale of the notes to Eligible Green Expenditures.

While we intend to allocate an amount equal to the net proceeds from the sale of the notes to pay or reimburse the payment of, in whole or in part, existing and future Eligible Green Expenditures as described below under "Use Of Proceeds", there can be no assurance by us or any of the underwriters that the expenditures funded with those net proceeds will meet every potential investor's expectations regarding environmental sustainability or performance. In addition, the market price of the notes may be impacted by any failure by us to allocate those net proceeds to pay or reimburse the payment of those Eligible Green Expenditures or to meet or continue to meet the investment requirements of certain environmentally-focused investors with respect to the notes.

FORWARD-LOOKING STATEMENTS

The forward-looking statements disclaimer set forth below supersedes any similarly entitled forward-looking statements disclaimer contained in the accompanying prospectus.

This prospectus supplement, the accompanying prospectus and the information incorporated by reference in this prospectus supplement and the accompanying prospectus may contain forward-looking statements within the meaning of the safe harbor of the Private Securities Litigation Reform Act of 1995, and are based on current expectations. These forward-looking statements are often identified by words such as "estimate," "predict," "may," "believe," "plan," "expect," "require," "intend," "assume," "project," "anticipate," "goal," "seek," "strategy," "likely," "should," "will," "could," and similar words. Because actual results may differ materially from expectations, we caution readers not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from outcomes currently expected or sought by us.

These factors are discussed in the risk factors described in Part I, Item 1A of the 2019 Form 10-K and Part II, Item 1A of our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2020 and June 30, 2020, as well as the "Forward-Looking Statements" sections of the 2019 Form 10-K and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2020 and June 30, 2020, each of which you should review carefully before placing any reliance on our financial statements or disclosures. We do not assume any obligation to update any forward-looking statements, even if our internal estimates change, except as may be required by applicable law.

We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for any forward-looking statements contained in this prospectus supplement and the accompanying prospectus, including in the information incorporated by reference in this prospectus supplement and the accompanying prospectus.

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WHERE YOU CAN FIND MORE INFORMATION

Available Information

We file annual, quarterly and current reports and other information with the SEC under File No. 1-4473. Our SEC filings are available to the public over the Internet at the SEC's website: http://www.sec.gov. Our filings with the SEC are also available on Pinnacle West's website at http://www.pinnaclewest.com. The information on Pinnacle West's website is not part of this prospectus supplement or the accompanying prospectus.

Incorporation by Reference

We are incorporating by reference the information we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus supplement and the accompanying prospectus, except for information superseded by information in this prospectus supplement and the accompanying prospectus, and later information that we file with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, excluding, in each case, information deemed furnished and not filed, until all of the notes offered by this prospectus supplement are sold.

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Annual Report on Form 10-K for the fiscal year ended December 31, 2019;

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Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2020 and June 30, 2020; and

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Current Reports on Form 8-K filed on <u>January 10, 2020</u>, <u>February 25, 2020</u>, <u>April 7, 2020</u>, <u>May 8, 2020</u> and <u>May 22, 2020</u>.

These documents contain important information about us and our finances.

We will provide to each person, including any beneficial owner, to whom this prospectus supplement and the accompanying prospectus is delivered, a copy of any or all of the information that has been incorporated by reference in this prospectus supplement and the accompanying prospectus but not delivered with this prospectus supplement and the accompanying prospectus. You may request a copy of these filings, at no cost, by writing, telephoning or contacting us through our website at the following address:

Arizona Public Service Company

Office of the Secretary Station 8602 P.O. Box 53999 Phoenix, Arizona 85072-3999 (602) 250-4400 www.pinnaclewest.com

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We estimate that the net proceeds from the sale of the notes, after deducting the underwriting discount but before deducting estimated offering expenses, will be approximately \$394.9 million. We intend to allocate an

amount equal to the net proceeds from the sale of the notes to pay or reimburse the payment of, in whole or in part, existing and future "Eligible Green Expenditures" as described below. Eligible Green Expenditures include those funded during the period from 24 months prior to the issue date of the notes and those funded any time following the issue date of the notes until the maturity date of the notes.

Eligible Green Expenditures

Eligible Green Expenditures include, but are not limited to, expenditures related to the following in the categories outlined below:

Renewables and Energy Storage

(a)

investments in projects from development to delivery of energy from renewable energy sources, including wind and solar.

(b)

the purchase of renewable energy pursuant to long-term power purchase agreements entered into prior to the commencement, or, in the case of repowering projects, the re-commencement, of commercial operation of the renewable project; and

(c)

the development and maintenance of various energy storage solutions.

Energy Efficiency

(a)

investments in transmission and distribution and renewable generation projects that improve system efficiency; and

(b)

promotion and enabling of adoption of energy-use management strategies, methods, and technologies.

Climate Change Adaptation

(a)

transmission and distribution and renewable generation investments to strengthen infrastructure to improve climate resiliency, including system and operational improvements aimed at preparing for and mitigating the impacts of extreme weather and other climate-related events on our operations.

Clean Transportation

(a)

investments to develop and improve electric vehicle charging infrastructure;

(b)

promote and hasten the adoption and integration of a full range of electric vehicles; and

(c)

encourage and facilitate the charging of electric vehicles during off-peak hours, as well as peak renewable hours.

Process for Eligible Green Expenditures Evaluation and Selection

The Eligible Green Expenditures are identified and selected by a process that involves participants from our various departments, including our Sustainability, Resource Management, and Treasury groups, and are based on the eligibility criteria set forth under "Eligible Green Expenditures" above.

Management of Proceeds

To the extent that the net proceeds from the sale of the notes are allocated to amounts previously invested in existing Eligible Green Expenditures, such proceeds will replenish the amounts previously invested and be used for general corporate purposes. To the extent that the net proceeds from the sale of the

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notes are to be allocated to future Eligible Green Expenditures, such proceeds will be deposited into our general corporate funds and, pending the incurrence of such costs, be managed according to our typical

treasury liquidity practices. We will monitor and account for an amount equal to the net proceeds from the sale of the notes to ensure the allocation of such amount to the costs of the Eligible Green Expenditures.

Payment of principal of and interest on the notes will be made from our general funds and will not be directly linked to the performance of any Eligible Green Expenditures.

Reporting

Within one year following the issuance of the notes, we intend to provide an update on our website regarding the allocation of an amount equal to the net proceeds from the sale of the notes to Eligible Green Expenditures, detailing the Eligible Green Expenditures made by us, and as necessary thereafter in the event of material developments. If the net proceeds from the sale of the notes are not fully allocated within one year of issuance of the notes, we will continue to provide updates at least annually until the net proceeds from the sale of the notes are fully allocated. Our website will also contain (i) an assertion by management regarding the amount of net proceeds from the sale of the notes disbursed during the applicable period, (ii) in the case of the first such report after the net proceeds from the sale of the notes are fully disbursed, an attestation report from an independent accountant in respect of the independent accountant's examination of management's assertion conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and (iii) where reasonable, anticipated environmental impacts (on an annual basis when relevant). Potential environmental impact metrics may include, but are not limited to: capacity of renewable energy generation developed or contracted, renewable energy generated, carbon dioxide emissions avoided, megawatts and megawatt-hours of energy storage installed or contracted, and number of electric vehicle charging points added.

Information on our website is not incorporated herein and should not be deemed a part of this prospectus supplement, the accompanying prospectus or any other report or filing filed with the SEC.

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DESCRIPTION OF THE NOTES

The notes will be issued as a separate series of debt securities under the indenture dated as of January 15, 1998, between us and The Bank of New York Mellon Trust Company, N.A., successor to JPMorgan Chase Bank, N.A. (formerly known as The Chase Manhattan Bank), as trustee. The following description of specific terms of the notes supplements the description of the general terms and provisions of the debt securities in the accompanying prospectus under the caption "Description Of APS Unsecured Debt Securities." Because this is a summary, it does not contain all the information that may be important to you.

General

The terms of the notes are set forth below:

Title: 2.65% Notes due 2050.

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Total principal amount being issued: \$400,000,000.

Maturity date: September 15, 2050.

Interest rate: 2.65% per annum.

Date interest starts accruing: September 11, 2020.

Interest payment dates: March 15 and September 15 of each year (including the date of maturity). In the event that any interest payment date is not a business day, then payment of interest will be made on the succeeding business day without any interest or other payment in respect of such delay.

First interest payment date: March 15, 2021.

Regular record dates for interest payment dates: March 1 for the March 15 interest payment date and September 1 for the September 15 interest payment date.

Computation of interest: On the basis of a 360-day year of twelve 30-day months.

Form of notes: The notes will be represented by one or more global securities in denominations of \$2,000 and any integral multiples of \$1,000 in excess thereof. We will deposit each global security with the trustee as custodian for DTC. See "Description Of APS Unsecured Debt Securities—Global Securities" in the accompanying prospectus. We may allow exchange of each global security for registered notes and transfer of each global security to a person other than DTC in additional circumstances that we agree to other than those described under that caption.

Sinking fund: The notes will not be subject to any sinking fund.

The notes will constitute a separate series of our unsecured senior debt securities under the indenture relating to the notes. The notes will be our unsecured senior obligations, will rank equally in right of payment with all of our existing and future unsecured senior indebtedness, will be senior to any future subordinated indebtedness and will be effectively subordinated to any secured indebtedness we may issue or incur in the future. As of June 30, 2020, we had no outstanding secured indebtedness. The limitation on liens covenant described under the caption "—Limitation on Liens" below will limit our ability to create liens on our operating property to secure indebtedness. However, this covenant is subject to a number of important exceptions and qualifications, including an exception permitting secured indebtedness in an amount that does not exceed 10% of Tangible Assets (as defined therein), which, at June 30, 2020, was approximately \$1.9 billion. The prospectus that accompanies this prospectus supplement further describes our debt securities under the caption "Description Of APS Unsecured Debt Securities."

As of June 30, 2020, we had approximately \$5.7 billion aggregate principal amount of unsecured senior indebtedness (including \$220 million of short-term debt) outstanding, of which approximately \$5.3 billion was outstanding under the indenture relating to the notes.

We must obtain the approval of the ACC before incurring long-term debt. An ACC order dated November 27, 2018 allows us to have approximately \$5.9 billion in principal amount of long-term debt outstanding at any one time, subject to the satisfaction of certain conditions, including the satisfaction of a minimum common equity test and a debt service coverage test.

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Additional Notes

We may from time to time, without notice to, or the consent of, the then existing registered holders of the notes, create and issue additional notes equal in rank and having the same maturity, payment terms, redemption features, and other terms as the notes, except for the issue date of the additional notes, the public offering price of the additional notes, the payment of interest accruing prior to the issue date of the additional notes and (under some circumstances) the first payment of interest following the issue date of the additional notes, but we will not issue such additional notes unless the additional notes are fungible with the previously issued notes for U.S. federal income tax purposes or are issued with a separate CUSIP number. These additional notes may be consolidated and form a single series with the notes.

Optional Redemption

All or a portion of the notes may be redeemed at our option at any time or from time to time. The redemption price for any notes to be redeemed on any redemption date prior to the Par Call Date (as defined below) will be equal to the greater of the following amounts:

100% of the principal amount of the notes being redeemed on the redemption date; or

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the sum of the present values of the remaining scheduled payments of principal of and interest on the notes being redeemed on that redemption date that would be due if such notes matured on the Par Call Date (not including any portion of any payments of interest accrued to the redemption date) discounted to the redemption date on a semiannual basis at the Adjusted Treasury Rate (as defined below), plus 20 basis points, as determined by a Reference Treasury Dealer (as defined below) appointed by us for such purpose; plus, in each case, accrued and unpaid interest on the notes being redeemed to the redemption date. The redemption price for any notes to be redeemed on any redemption date on or after the Par Call Date will be equal to 100% of the principal amount of the notes being redeemed on the redemption date plus accrued and unpaid interest on the notes being redeemed to the redemption date. Notwithstanding the foregoing, installments of interest on notes that are due and payable on interest payment dates falling on or prior to a redemption date will be payable on the interest payment date to the registered holders as of the close of business on the relevant record date according to the notes and the related indenture. The redemption price will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The trustee shall have no obligation to calculate the redemption price.

If less than all of the notes are to be redeemed, the notes to be redeemed will be selected in accordance with the procedures of DTC. However, the unredeemed portion of the principal amount of any note must be in an authorized denomination.

We will deliver notice of any redemption at least 10 days but not more than 60 days before the redemption date to each registered holder of the notes to be redeemed. However, in the case of any notes being redeemed prior to the Par Call Date, we will not know the exact redemption price until three business days before the redemption date. Therefore, the related notice of redemption will only describe how the redemption price will be calculated. Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the notes or portions thereof called for redemption.

"Adjusted Treasury Rate" means, with respect to any applicable redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (as defined below), assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (as defined below) for such redemption date.

"Comparable Treasury Issue" means the U.S. Treasury security selected by a Reference Treasury Dealer appointed by us for such purpose as having a maturity comparable to the remaining term of the notes to be redeemed (assuming for this purpose that such notes matured on the Par Call Date) that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such notes (assuming for this purpose that such notes matured on the Par Call Date).

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"Comparable Treasury Price" means, with respect to any applicable redemption date, (A) if we obtain three or more Reference Treasury Dealer Quotations (as defined below), the average of such Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, (B) if we obtain two such Reference Treasury Dealer Quotations, the average of such quotations, or (C) if only one Reference Treasury Dealer Quotation is received, such quotation. "Par Call Date" means March 15, 2050.

"Primary Treasury Dealer" means a primary U.S. Government securities dealer in the United States.

"Reference Treasury Dealer" means each of (A) BofA Securities, Inc., J.P. Morgan Securities LLC and Mizuho Securities USA LLC and a Primary Treasury Dealer selected by U.S. Bancorp Investments, Inc.; provided, however, that if any of the foregoing shall cease to be a Primary Treasury Dealer, we will substitute therefor another Primary Treasury Dealer; and (B) any other Primary Treasury Dealer(s) selected by us.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any applicable redemption date, the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to us by such Reference Treasury Dealer at 5:00 p.m. (New York City time) on the third business day preceding such redemption date.

Defeasance

The provisions described in the accompanying prospectus under the caption "Description Of APS Unsecured Debt Securities—Defeasance and Covenant Defeasance" are applicable to the notes.

Limitation on Liens

So long as any of the notes are outstanding, we will not issue, assume, guarantee or permit to exist any Debt (as defined below) secured by any mortgage, security interest, pledge, or lien (a "Mortgage") of or upon any of our Operating Property (as defined below), whether owned at the date that the notes are issued or subsequently acquired, without effectively securing the notes (together with, if we so determine, any other indebtedness or obligations of us ranking senior to, or equally with, the notes) equally and ratably with such Debt (but only so long as that Debt is so secured). This restriction will not apply to Debt secured by any of the following:

(1)

Mortgages on any property existing at the time of acquisition of such property (which Mortgages may also extend to subsequent repairs, alterations and improvements to that property);

(2)

Mortgages on property of a corporation existing at the time such corporation is merged into or consolidated with us or at the time of a sale, lease, or other disposition of the properties of such corporation or a division thereof as an entirety or substantially as an entirety to us;

(3)

Mortgages on property to secure all or part of the cost of acquiring, constructing, developing, or substantially repairing, altering, or improving such property or to secure indebtedness incurred to provide funds for any such purpose or for reimbursement of funds previously expended for any such purpose, provided such Mortgages are created or assumed contemporaneously with, or within eighteen (18) months after, such acquisition or completion of construction, development, or substantial repair, alteration, or improvement;

(4)

Mortgages in favor of the United States of America or any State thereof, or any department, agency, instrumentality or political subdivision of the United States of America or any State thereof, or for the benefit of holders of securities issued by any such entity (or providers of credit enhancement with respect to those securities), to secure any Debt (including our obligations with respect to industrial development, pollution control or similar revenue bonds) incurred for the purpose of financing or refinancing all or any part of the purchase price or the cost of constructing, developing, or substantially repairing, altering, or improving our property;

(5)

Mortgages to compensate the trustee as provided in the indenture relating to the notes; or

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(6)

any extension, renewal or replacement (or successive extensions, renewals, or replacements), in whole or in part, of any Mortgage referred to in the foregoing clauses (1) to (5), but the principal amount of Debt secured by such Mortgages and not otherwise authorized by said clauses (1) to (5) may not exceed the principal amount of Debt, plus any premium or fee payable in connection with any such extension, renewal, or replacement, so secured at the time of such extension, renewal, or replacement.

We may issue, assume, or guarantee or permit to exist Debt that is secured by Mortgages that would otherwise be subject to the restrictions that we describe above in connection with our existing sale and leaseback transactions relating to Unit 2 of the Palo Verde Nuclear Generating Station, including but not limited to Mortgages on the leased interests in Unit 2 of the Palo Verde Nuclear Generating Station and related rights if we reacquire ownership in any of those interests or acquire any of the equity or owner participants' interests in the trusts that hold title to such leased interests, whether or not we also directly assume the Sale Leaseback Obligation Bonds (as defined below), and Mortgages on our interests in the trusts that hold title to such leased interests and related rights in the event that we acquire any of the equity or owner participants' interests in such trusts pursuant to a "special transfer" under the Unit 2 sale and leaseback transactions. In

addition, we may issue, assume, or guarantee or permit to exist Debt that is secured by Mortgages that would otherwise be subject to the restrictions that we describe above up to an aggregate principal amount that, together with the principal amount of all of our other Debt secured by such Mortgages, does not at the time exceed ten percent (10%) of Tangible Assets (as defined below).

The following terms have the following meanings:

"Debt" means any of our outstanding debt for money borrowed evidenced by notes, debentures, bonds, or other securities, or guarantees of any thereof.

"Operating Property" means (i) any interest in real property owned by us and (ii) any asset owned by us that is depreciable in accordance with generally accepted accounting principles, excluding in any case any interest of us as lessee under any lease.

"Sale Leaseback Obligation Bonds" means any bonds issued in connection with the sale and leaseback transactions in respect of Unit 2 of the Palo Verde Nuclear Generating Station and any refinancing or refunding of any of these obligations.

"Tangible Assets" means the amount shown as total assets on our most recent balance sheet, less:

(i) intangible assets, including, but without limitation, goodwill, trademarks, trade names and patents and

(ii) appropriate adjustments, if any, on account of minority interests. However, if, subsequent to the date of our

most recent balance sheet, we acquire any property, whether by acquisition (including by way of capital lease)

from a third party, through merger or consolidation, through construction, development, or substantial repair,
alteration or improvement of property, or by any other means, and such property is or becomes subject to any

Mortgage securing Debt, we may prepare a pro forma balance sheet to include the value of such property in

any calculation of Tangible Assets hereunder. Subject to the foregoing, Tangible Assets will be determined in
accordance with generally accepted accounting principles and practices applicable to the type of business in
which we are engaged and that are approved by the independent accountants regularly retained by us, and may
be determined as of a date not more than 60 days prior to the happening of the event for which such
determination is being made.

Regarding the Trustee

The Bank of New York Mellon Trust Company, N.A., successor to JPMorgan Chase Bank, N.A. (formerly known as The Chase Manhattan Bank), is the trustee under the indenture relating to the notes. It or its affiliate, The Bank of New York Mellon, is also the trustee under various other indentures covering securities issued or that may be issued by us or our affiliates or on our or their behalf. We and our affiliates maintain normal commercial and banking relationships with The Bank of New York Mellon Trust Company, N.A. and/or its affiliates. In the future, The Bank of New York Mellon Trust Company, N.A. and/or its affiliates may provide banking, investment and other services to us and our affiliates.

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CERTAIN MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of certain material U.S. federal income tax consequences of the purchase, ownership and disposition of the notes. Except where noted, this summary deals only with notes held as capital assets by beneficial owners of the notes who purchase notes in this offering at their issue price, which is the first price at which a substantial amount of the notes is sold to investors, excluding sales to the underwriters or to similar persons acting in the capacity of placement agents or wholesalers. This summary is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the Treasury Regulations promulgated thereunder and judicial and administrative rulings and decisions now in effect, all of which are subject to change or differing interpretations, possibly with retroactive effect. This summary does not purport to address all aspects of U.S. federal income taxation that may affect particular investors in light of their individual circumstances (including holders that are directly or indirectly related to us), or certain types of investors subject to special treatment under the U.S. federal income tax laws, such as persons that mark to market their securities, financial institutions, regulated investment companies, real estate investment trusts, corporations subject to the accumulated earnings tax, holders subject to the alternative minimum tax, individual retirement and other tax-deferred accounts, tax-exempt organizations, brokers, dealers in securities

and commodities, certain former U.S. citizens or long-term residents, life insurance companies, persons that hold notes as part of a hedge against currency or interest rate risks or that hold notes as part of a position in a constructive sale, straddle, conversion transaction or other integrated transaction for U.S. federal income tax purposes, controlled foreign corporations, passive foreign investment companies, persons required to report income with respect to notes no later than when such income is reported on an "applicable financial statement" under Section 451(b) of the Code, persons that acquire their notes in connection with employment or other performance of personal services, partnerships or other pass-through entities and investors in such entities, subsequent purchasers of the notes and U.S. holders (as defined below) whose "functional currency" is not the U.S. dollar or that hold notes through a non-U.S. broker or other non-U.S. intermediary. This summary does not address any aspect of state, local or foreign taxation or any U.S. federal tax other than the income tax.

For purposes of this summary, a "U.S. holder" is a beneficial owner of a note that is, for U.S. federal income tax purposes:

an individual citizen or resident of the United States;

a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state or the District of Columbia;

an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust, if (a) a court within the United States is able to exercise primary jurisdiction over administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust or (b) it has a valid election in effect to be treated as a U.S. person.

For purposes of this summary, a "non-U.S. holder" is a beneficial owner of a note that is not a U.S. holder or a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes).

If a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Partnerships that hold notes (and partners in such partnerships) should consult their tax advisors.

We have not requested, and do not intend to request, a ruling from the U.S. Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax consequences described below. There can be no assurance that the IRS will not disagree with or challenge any of the conclusions set forth herein.

If you are considering investing in the notes, you should consult your own tax advisor with respect to your particular tax consequences of the purchase, ownership and disposition of the notes, including the tax consequences under the laws of any state, local or non-U.S. jurisdiction.

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U.S. Holders

Interest

If the notes are issued at a discount from their stated redemption price at maturity, it is expected that any such discount will be less than the statutorily defined *de minimis* amount. Accordingly, interest on a note will generally be taxable to a U.S. holder as ordinary interest income at the time it accrues or is received in accordance with the holder's regular method of accounting for U.S. federal income tax purposes.

Sale, Exchange or Other Taxable Disposition of a Note

Upon the sale, exchange, redemption or other taxable disposition of a note, a U.S. holder will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange, redemption or other taxable disposition and the holder's adjusted tax basis in the note. For these purposes, the amount realized does not include any amount attributable to accrued interest. Amounts attributable to accrued interest are treated as interest as described under "Interest" above. A U.S. holder's adjusted tax basis in a note will

generally be such holder's cost for the note. Gain or loss realized on the sale, exchange, redemption or other taxable disposition of a note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of the sale, exchange, redemption or other taxable disposition the note has been held by the U.S. holder for more than one year. The deductibility of capital losses is subject to limitations under the Code.

Medicare Tax on Unearned Income

Certain U.S. holders who are individuals, estates or trusts will be subject to a 3.8% tax on all or a portion of their "net investment income" or "undistributed net investment income" (as applicable), which may include all or a portion of their interest on the notes and net gains upon a disposition of the notes. U.S. holders that are individuals, estates or trusts should consult their tax advisors regarding the applicability of the Medicare tax to any of their income or gains in respect of the notes.

Information Reporting and Backup Withholding

Information returns will be filed with the IRS in connection with payments on the notes and the proceeds from a sale or other disposition of the notes unless the U.S. holder is an exempt recipient such as a corporation and, if requested, demonstrates this fact. A U.S. holder will be subject to U.S. backup withholding, currently at a rate of 24%, on these payments if the U.S. holder fails to provide its taxpayer identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. holder will be allowed as a credit against the U.S. holder's U.S. federal income tax liability and may entitle the U.S. holder to a refund provided that the required information is timely furnished to the IRS.

Non-U.S. Holders

Payments of Interest

Subject to the discussions below concerning backup withholding and FATCA (as defined below), payments of interest on a note received or accrued by a non-U.S. holder generally will not be subject to U.S. federal income or withholding tax as long as the non-U.S. holder:

does not conduct a trade or business in the United States with respect to which the interest is effectively connected;

does not actually, indirectly or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote, within the meaning of Section 871(h)(3) of the Code;

is not a "controlled foreign corporation" with respect to which we are a "related person" within the meaning of Section 881(c)(3)(C) of the Code;

is not a bank whose receipt of the interest is described in Section 881(c)(3)(A) of the Code; and

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satisfies the certification requirements described below.

The certification requirements will be satisfied if either (a) the beneficial owner of the note timely certifies, under penalties of perjury, to us or to the person who otherwise would be required to withhold U.S. federal income tax that such owner is a non-U.S. holder and provides its name and address or (b) a custodian, broker, nominee or other intermediary acting as an agent for the beneficial owner (such as a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business) that holds the note in such capacity timely certifies, under penalties of perjury, to us or to the person who otherwise would be required to withhold U.S. federal income tax that such statement has been received from the beneficial owner of the note by such intermediary, or by any other financial institution between such intermediary and the beneficial owner, and furnishes to us or to the person who otherwise would

be required to withhold U.S. tax a copy thereof. In general, the foregoing certification may be provided on a properly completed IRS Form W-8BEN, IRS Form W-8BEN-E or IRS Form W-8IMY, as applicable.

A non-U.S. holder that is not exempt from tax under the foregoing rules generally will be subject to U.S. federal income tax withholding on payments of interest at a rate of 30% unless:

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the interest is effectively connected with a U.S. trade or business conducted by such holder (and, if an applicable income tax treaty so provides, is attributable to a permanent establishment maintained in the United States by the non-U.S. holder), in which case the non-U.S. holder will be subject to U.S. federal income tax on a net basis; or

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an applicable income tax treaty provides for a lower rate of, or exemption from, withholding tax.

A non-U.S. holder that is treated as a corporation for U.S. federal income tax purposes and has effectively connected interest income (as described in the first bullet point above) may also, under certain circumstances, be subject to an additional "branch profits tax," which is generally imposed on a foreign corporation on the deemed repatriation from the United States of effectively connected earnings and profits, at a 30% rate, unless the rate is reduced or the tax is eliminated by an applicable income tax treaty.

To claim the benefit of a lower rate of, or exemption from, withholding tax pursuant to an income tax treaty or to claim exemption from withholding because income is effectively connected with a U.S. trade or business, the non-U.S. holder must timely provide the appropriate, properly executed IRS forms. Certification to claim income is effectively connected with a U.S. trade or business is generally made on IRS Form W-8ECI. Certification to claim the benefit of a lower rate of, or exemption from, withholding tax pursuant to an income tax treaty is generally made on IRS Form W-8BEN or IRS Form W-8BEN-E.

In general, non-U.S. holders will be required to periodically update their IRS W-8 forms.

Sale, Exchange or Other Taxable Disposition of a Note

Subject to the discussions below concerning backup withholding and FATCA, a non-U.S. holder generally will not be subject to U.S. federal income tax on any gain realized on the sale, exchange, redemption or other taxable disposition of a note unless (a) such gain is effectively connected with the conduct by the non-U.S. holder of a U.S. trade or business (and, if an applicable income tax treaty so provides, is attributable to a permanent establishment maintained in the United States by the non-U.S. holder) or (b) in the case of a non-U.S. holder who is an individual, the holder is present in the United States for 183 days or more during the taxable year in which such gain is realized and certain other conditions exist.

Except to the extent that an applicable income tax treaty otherwise provides, generally a non-U.S. holder that is described in clause (a) above will be subject to U.S. federal income tax on a net basis with respect to gain that is effectively connected with the non-U.S. holder's conduct of a U.S. trade or business and such a non-U.S. holder that is treated as a corporation for U.S. federal income tax purposes may also, under certain circumstances, be subject to the branch profits tax as described above. Except to the extent that an applicable income tax treaty otherwise provides, an individual non-U.S. holder who is described in clause (b) above will be subject to a flat 30% tax on gain derived from the sale or other disposition, which may be offset by certain U.S. source capital losses.

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Information Reporting and Backup Withholding

Payments of interest to a non-U.S. holder generally will be reported to the IRS and to the non-U.S. holder. Copies of applicable IRS information returns may be made available under the provisions of a specific tax treaty or agreement to the tax authorities of the country in which the non-U.S. holder resides. Non-U.S. holders are generally exempt from backup withholding, currently at a rate of 24%, and additional information reporting on payments of principal, premium (if any), or interest provided that the non-U.S. holder (a) certifies its nonresident status on the appropriate IRS form (or a suitable substitute form) and certain other conditions are met or (b) otherwise establishes an exemption. Backup withholding is not an additional tax. Any backup

withholding generally will be allowed as a credit or refund against the non-U.S. holder's U.S. federal income tax liability provided that the required information is timely furnished to the IRS.

FATCA

Sections 1471 through 1474 of the Code and the Treasury Regulations thereunder (commonly referred to as "FATCA") generally impose a U.S. federal withholding tax of 30% on payments of interest on the notes and, subject to the proposed Treasury Regulations discussed below, the gross proceeds, including the return of principal, from a disposition, including a redemption, of notes paid to certain foreign entities unless various information reporting and other requirements are satisfied. This would generally apply in the case of debt obligations held through intermediaries who do not agree to satisfy such requirements or are not deemed to be compliant with the requirements of FATCA pursuant to an intergovernmental agreement or otherwise.

Under proposed Treasury Regulations, gross proceeds would not be subject to FATCA withholding. In its preamble to such proposed Treasury Regulations, the IRS has stated that taxpayers and withholding agents may generally rely on the proposed Treasury Regulations until final Treasury Regulations are issued.

No additional amounts will be payable on account of any withholding obligation that is imposed with respect to payments on or dispositions of the notes as a result of the failure of any holder or beneficial owner of a note, or any intermediary through which it directly or indirectly owns such note, to comply with the requirements of FATCA. Prospective purchasers of the notes should consult their own tax advisors regarding the effect, if any, of FATCA on their investment in the notes based on their particular circumstances.

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UNDERWRITING

General

BofA Securities, Inc., J.P. Morgan Securities LLC, Mizuho Securities USA LLC and U.S. Bancorp Investments, Inc. are acting as the representatives of the underwriters, and BofA Securities, Inc., J.P. Morgan Securities LLC, Mizuho Securities USA LLC, U.S. Bancorp Investments, Inc., RBC Capital Markets, LLC and Scotia Capital (USA) Inc. are acting as joint book-running managers. Under the terms and subject to the conditions of an underwriting agreement dated the date of this prospectus supplement, which will be filed as an exhibit to a current report on Form 8-K and incorporated by reference in this prospectus supplement and the accompanying prospectus, each of the underwriters named below has severally and not jointly agreed to purchase from us, and we have agreed to sell to them, severally, the principal amount of notes shown opposite its respective name below:

Underwriters	Principal Amount of Notes
BofA Securities, Inc.	\$ 72,000,000
J.P. Morgan Securities LLC	72,000,000
Mizuho Securities USA LLC	72,000,000
U.S. Bancorp Investments, Inc.	72,000,000
RBC Capital Markets, LLC	52,000,000
Scotia Capital (USA) Inc.	52,000,000
Academy Securities, Inc.	4,000,000

4,000,000

Total \$400,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase the notes included in this offering are several and not joint and are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all of the notes if they purchase any of the notes.

The underwriters propose to offer the notes directly to the public at the public offering price presented on the cover page of this prospectus supplement and may offer the notes to selected dealers, which may include the underwriters, at the public offering price less a selling concession not in excess of 0.500% of the principal amount of the notes. The underwriters may allow, and dealers may reallow, a concession not to exceed 0.350% of the principal amount of the notes on sales to other dealers. After the initial offering of the notes to the public, the underwriters may change the public offering price and other selling terms.

The following table summarizes the underwriting discount to be paid to the underwriters by us (expressed as a percentage of the principal amount of the notes). The underwriting discount is the difference between the offering price and the amount the underwriters pay to purchase the notes from us.

Paid by Arizona Public Service Company

Per Note 0.875%

The notes are a new issue of securities with no established trading market. We do not intend to apply for the notes to be listed on any securities exchange or to be quoted on any quotation system. One or more of the underwriters intend to make a secondary market for the notes. However, they are not obligated to do so and may discontinue making a secondary market at any time without notice. No assurance can be given as to how liquid the trading market for the notes will be.

In order to facilitate this offering of the notes, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves syndicate sales of

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notes in excess of the principal amount of notes to be purchased by the underwriters in this offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of notes in the open market after the distribution has been completed in order to cover syndicate short positions. Stabilizing transactions consist of certain bids or purchases of the notes made for the purpose of preventing or retarding a decline in the market price of the notes while this offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the representatives of the underwriters, in covering syndicate short positions or making stabilizing purchases, repurchase notes originally sold by that syndicate member.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The underwriters may conduct these transactions in the overthe-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

We estimate that the total expenses of the offering payable by us, excluding the underwriting discount, will be approximately \$955,000.

The underwriters and/or their affiliates have performed investment banking, commercial banking and/or advisory services for us and/or our affiliates from time to time for which they have received customary fees and expenses. Affiliates of certain of the underwriters are lenders to us and/or our affiliates under our credit

facilities. The underwriters and/or their affiliates may, from time to time, engage in transactions with and perform services for us and our affiliates in the ordinary course of their business.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If any of the underwriters or their affiliates has a lending relationship with us, certain of those underwriters or their affiliates routinely hedge, and certain other of those underwriters or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

We have agreed to indemnify the underwriters against certain liabilities relating to the offering, including liabilities under the Securities Act of 1933, as amended, and to contribute to payments that the underwriters may be required to make for these liabilities.

We expect to deliver the notes against payment for the notes on or about the date specified in the last paragraph of the cover page of this prospectus supplement, which will be the third business day following the date of the pricing of the notes. Under Rule 15c6-1 under the Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in two business days, unless the parties to a trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes prior to the second business day prior to settlement will be required to specify alternative settlement arrangements to prevent a failed settlement.

Notice to Prospective Canadian Investors

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act (Ontario)*, and are permitted clients, as defined in National Instrument 31-103

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Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus supplement and the accompanying prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("NI 33-105"), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in the European Economic Area and the United Kingdom

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA") or the United Kingdom (the "UK"). For these purposes, (a) a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii)

not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"), and (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation. This prospectus supplement and the accompanying prospectus have been prepared on the basis that any offer of notes in any Member State of the EEA or in the UK will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of notes. This prospectus supplement and the accompanying prospectus are not a prospectus for the purposes of the Prospectus Regulation.

Notice to Prospective Investors in the United Kingdom

In the UK, this prospectus supplement and the accompanying prospectus are only being distributed to and are only directed at (i) persons who are outside the UK, (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"), or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). Any notes will only be available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this prospectus supplement and the accompanying prospectus or any of their contents.

Each underwriter has represented and agreed that:

it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

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Notice to Prospective Investors in Switzerland

Each underwriter has represented and agreed that it (a) will only offer or sell notes in, into or from Switzerland in compliance with all applicable laws and regulations in force in Switzerland and (b) will, to the extent necessary, obtain any consent, approval or permission required for the offer or sale by it of notes under the laws and regulations in force in Switzerland.

This prospectus supplement does not constitute a prospectus within the meaning of the Swiss Code of Obligations ("CO"), a prospectus or simplified prospectus within the meaning of the Swiss Collective Investment Schemes Act ("CISA") or, if and when entered into force, a prospectus within the meaning of the Swiss Financial Services Act ("FinSA").

Only the relevant prospectus for the offering of notes in, into or from Switzerland and any information required to ensure compliance with the CO or, if and when entered into force, the FinSA, and all other applicable laws and regulations of Switzerland (in particular, additional and updated corporate and financial information that shall be provided by the issuer) may be used in the context of a public offer in, into or from Switzerland. Each underwriter has therefore represented and agreed that the relevant prospectus and such information shall be furnished to any potential purchaser in Switzerland in such manner and at such times as required by the CO or, if and when entered into force, the FinSA, and all other applicable laws and regulations of Switzerland.

V.

Until the entry into force of the FinSA, and if and to the extent the notes qualify as structured products within the meaning of the CISA, and unless the notes are offered and distributed in, into or from Switzerland in compliance with the CISA and its implementing ordinances, including that all relevant licenses have been obtained and that a simplified prospectus within the meaning of Article 5 CISA has been prepared to be furnished to any potential purchaser in Switzerland upon request in such manner and at such times as required by the CISA and all other applicable laws and regulations of Switzerland, each underwriter has represented and agreed that it will not, directly or indirectly, (i) publicly offer, sell, or advertise the notes in, into or from Switzerland, as such term is defined or interpreted under the CO, (ii) distribute the notes in, into or from Switzerland to non-qualified investors within the meaning of the CISA, its implementing ordinance and any other applicable regulations and regulatory guidance, and (iii) distribute or otherwise make available this prospectus supplement or any other document related to the notes in Switzerland in a way that would constitute a public offering within the meaning of the CO of the notes or a distribution of the notes to non-qualified investors within the meaning of the CISA.

Following the entry into force of the FinSA, and if and to the extent that the notes qualify as financial instruments requiring a key information document within the meaning of the FinSA, its implementing ordinance and any other applicable regulations and regulatory guidance, each underwriter has represented and agreed, and each further underwriter appointed under the offering will be required to represent and agree, that it will not, directly or indirectly, (i) publicly offer or advertise the notes in or into Switzerland, as such terms are defined or interpreted under the FinSA, its implementing ordinance and any other applicable regulations and regulatory guidance, (ii) offer or advertise the notes to investors in Switzerland with respect to which a key information document within the meaning of the FinSA, its implementing ordinance and any other applicable regulations and regulatory guidance is required or (iii) distribute or otherwise make available this prospectus supplement, the accompanying prospectus or any other document related to the notes in Switzerland in a way that would constitute a public offering of the notes within the meaning of the FinSA or an offering of the notes to investors in Switzerland with respect to which a key information document is required.

Notice to Prospective Japanese Investors

The notes have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "Financial Instruments and Exchange Act"), and each underwriter has agreed that it has not offered or sold and will not offer or sell any notes, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan (which term as used herein means any person or entity resident in Japan, including any corporation or other entity organized under the laws of Japan), or to, or for the account or benefit of, others for re-offering or resale, directly or indirectly, in Japan requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan in effect at the relevant time.

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LEGAL OPINIONS

Certain legal matters with respect to the offering of the notes described in this prospectus supplement will be passed upon for us by Robert E. Smith, our Senior Vice President & General Counsel, and for the underwriters by Pillsbury Winthrop Shaw Pittman LLP, New York, New York. Mr. Smith is regularly employed by us, participates in various Pinnacle West employee benefit plans under which he may receive shares of common stock and currently beneficially owns less than one percent of the outstanding shares of common stock of Pinnacle West. In giving his opinion, Mr. Smith may rely as to all matters of New York law upon the opinion of Pillsbury Winthrop Shaw Pittman LLP.

EXPERTS

The consolidated financial statements as of December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, and the related consolidated financial statement schedule incorporated by reference in this prospectus supplement and the accompanying prospectus, and the effectiveness of Arizona Public Service Company's internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing therein. Such

consolidated financial statements and consolidated financial statement schedule have been so incorporated by reference in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

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Prospectus

PINNACLE WEST CAPITAL CORPORATION

Unsecured Debt Securities Preferred Stock Common Stock

ARIZONA PUBLIC SERVICE COMPANY

Unsecured Debt Securities

We may offer and sell these securities from time to time in one or more offerings. This prospectus provides you with a general description of the securities we may offer.

Each time we sell these securities, we will provide a supplement to this prospectus that contains specific information about the offering and the terms of the securities, including the plan of distribution for the securities. You should carefully read this prospectus and any supplement, as well as the documents incorporated by reference in this prospectus, before you invest in any of these securities.

See "Risk Factors" beginning on page 1 of this prospectus where we describe certain factors you should consider in making an investment decision.

Our principal executive offices are located at 400 North Fifth Street, P.O. Box 53999, Phoenix, Arizona 85072-3999. Our telephone number is (602) 250-1000.

Pinnacle West's common stock is listed on the New York Stock Exchange under the symbol "PNW." Unless otherwise indicated in a supplement to this prospectus, the other securities offered hereby will not be listed on a national securities exchange.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

We may offer and sell these securities directly to purchasers, through agents, dealers, or underwriters as designated from time to time, or through a combination of these methods. If any agents, dealers or underwriters are involved in the sale of any securities, the relevant prospectus supplement will set forth any applicable commissions or discounts.

The date of this prospectus is April 20, 2018

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RISK FACTORS

We include a discussion of risk factors relating to our business and an investment in our securities in our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q filed from time to time by us with the Securities and Exchange Commission (the "SEC"). These reports are incorporated by reference in this prospectus. See "Where You Can Find More Information." We describe an additional risk of investment in our securities below. We may also describe additional risks related to our securities in a prospectus supplement from time to time. Before purchasing our securities, you should carefully consider the risk factors we describe in those reports, in this prospectus and in any prospectus supplement.

In addition to the general risks that we describe in our SEC reports, you should consider the following additional risk before investing in our securities.

Risk Factors Relating to Unsecured Debt Securities

You may be unable to sell your unsecured debt securities if a trading market for the unsecured debt securities does not develop.

An established trading market for the unsecured debt securities does not exist and may not develop. Unless the applicable prospectus supplement specifies otherwise, we do not intend to apply for listing of the unsecured debt securities on any securities exchange or for quotation on any automated dealer quotation system. The liquidity of any market for the unsecured debt securities will depend on the number of holders of the securities, the interest of securities dealers in making a market in the unsecured debt securities, and other factors. If an active trading market does not develop, the market price and liquidity of the unsecured debt securities may be adversely affected. If the unsecured debt securities are traded, they may trade at a discount from their initial offering price depending upon prevailing interest rates, the market for similar securities, general economic conditions, our performance and business prospects, and certain other factors.

The unsecured debt securities issued by Pinnacle West Capital Corporation will be effectively subordinated to any existing and future secured indebtedness and structurally subordinated to existing and future indebtedness and other obligations of Pinnacle West Capital Corporation's subsidiaries.

The unsecured debt securities issued by Pinnacle West Capital Corporation will be general, unsecured senior obligations of Pinnacle West Capital Corporation only and will rank equal in right of payment with all

of Pinnacle West Capital Corporation's other existing and future unsecured senior indebtedness from time to time outstanding. As a result, the unsecured debt securities issued by Pinnacle West Capital Corporation will be effectively subordinated to Pinnacle West Capital Corporation's existing and future secured indebtedness to the extent of the value of the related collateral securing that indebtedness.

The ability of Pinnacle West Capital Corporation to meet its financial obligations under its unsecured debt securities, and cash needs generally, is dependent on its operating cash flow (which, in turn, is dependent upon the earnings of its subsidiaries and the distribution of those earnings to, or upon loans or other payments of funds by those subsidiaries to, Pinnacle West Capital Corporation), its ability to access the short-term and long-term debt and equity capital markets, and its bank facilities. Various financing arrangements, charter provisions and statutory and regulatory requirements may impose certain restrictions on the ability of its subsidiaries to transfer funds to Pinnacle West Capital Corporation, including in the form of cash dividends, loans or advances or other distributions. The unsecured debt securities of Pinnacle West Capital Corporation will not be obligations of or guaranteed by any of Pinnacle West Capital Corporation's subsidiaries. As a result, the unsecured debt securities of Pinnacle West Capital Corporation will be structurally subordinated to any existing and future indebtedness and other obligations of Pinnacle West Capital Corporation's subsidiaries. These liabilities may include indebtedness, trade payables, guarantees, lease obligations and letter of credit obligations. The unsecured debt securities of Pinnacle West Capital Corporation do not restrict Pinnacle West Capital Corporation or its subsidiaries from incurring additional indebtedness, including secured indebtedness.

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ABOUT THIS PROSPECTUS

This prospectus is part of a shelf registration statement that we filed with the SEC. By using a shelf registration statement, we may sell, from time to time, in one or more offerings, any combination of the securities described in this prospectus. In this prospectus we may refer to the unsecured debt securities, preferred stock and common stock that may be offered by Pinnacle West Capital Corporation ("Pinnacle West") and the unsecured debt securities that may be offered by Arizona Public Service Company ("APS") collectively as the "securities."

This prospectus provides you with a general description of the securities we may offer. Each time we offer securities, we will provide you with a prospectus supplement and, if applicable, a pricing supplement. The prospectus supplement and any applicable pricing supplement will describe the specific terms of the securities being offered. The prospectus supplement and any applicable pricing supplement may also add to, update or change the information in this prospectus. If there is any inconsistency between the information in this prospectus and in any supplement, you should rely on the information in the supplement. In addition, the registration statement we filed with the SEC includes exhibits that provide more details about the securities.

You should rely only on the information contained or incorporated by reference in this prospectus, any prospectus supplement and any pricing supplement. See "Where You Can Find More Information." We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

You should assume that the information appearing in this prospectus and any supplement to this prospectus is accurate only as of the dates on their covers and that information incorporated by reference is accurate only as of the date of the report that is incorporated, unless, in either case, the information is given as of another specific date. Our business, financial condition, results of operations, and prospects may have changed since those dates.

FORWARD-LOOKING STATEMENTS

This prospectus, any accompanying prospectus supplement, and the information contained or incorporated by reference in this prospectus may contain forward-looking statements based on current expectations, and we assume no obligation to update these statements, even if our internal estimates change, except as required by applicable law. These forward-looking statements are often identified by words such as "estimate," "predict," "may," "believe," "plan," "expect," "require," "intend," "assume," "project" and similar words. Because actual results may differ materially from expectations, we caution readers not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from

outcomes currently expected or sought by us. In addition to the Risk Factors described above, these factors include, but are not limited to:

- our ability to manage capital expenditures and operations and maintenance costs while maintaining reliability and customer service levels;
- variations in demand for electricity, including those due to weather, seasonality, the general economy, customer and sales growth (or decline), and the effects of energy conservation measures and distributed generation;
- power plant and transmission system performance and outages;
- competition in retail and wholesale power markets;
- regulatory and judicial decisions, developments and proceedings;
- new legislation, ballot initiatives and regulation, including those relating to environmental requirements, regulatory policy, nuclear plant operations and potential deregulation of retail electric markets;
- fuel and water supply availability;
- our ability to achieve timely and adequate rate recovery of our costs, including returns on and of debt and equity capital investment;

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- our ability to meet renewable energy and energy efficiency mandates and recover related costs;
- risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty;
- current and future economic conditions in Arizona, including in real estate markets;
- the development of new technologies which may affect electric sales or delivery;
- the cost of debt and equity capital and the ability to access capital markets when required;
- environmental, economic and other concerns surrounding coal-fired generation, including regulation of greenhouse gas emissions;
- volatile fuel and purchased power costs;
- the investment performance of the assets of our nuclear decommissioning trust, pension, and other postretirement benefit plans and the resulting impact on future funding requirements;
- the liquidity of wholesale power markets and the use of derivative contracts in our business;
- potential shortfalls in insurance coverage;

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new accounting requirements or new interpretations of existing requirements;

generation, transmission and distribution facility and system conditions and operating costs;

the ability to meet the anticipated future need for additional generation and associated transmission facilities in our region;

the willingness or ability of our counterparties, power plant participants and power plant land owners to meet contractual or other obligations or extend the rights for continued power plant operations; and

restrictions on dividends or other provisions in our credit agreements and Arizona Corporation Commission ("ACC") orders.

We generally update these factors in each of our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q filed with the SEC. We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for any forward-looking statements contained or incorporated by reference in this prospectus or any prospectus supplement.

WHERE YOU CAN FIND MORE INFORMATION

Available Information

We file annual, quarterly, and current reports and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC's website: http://www.sec.gov. You may also read and copy any materials we file with the SEC at the SEC's public reference room, at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800- SEC-0330. Our filings with the SEC are also available on Pinnacle West's website at http://www.pinnaclewest.com. The information on Pinnacle West's website is not part of this prospectus, any prospectus supplement or any pricing supplement.

Incorporation by Reference

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, except for information superseded by information in this prospectus, and later information that we file with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (SEC file No. 1-8962 for Pinnacle West and No. 1-4473 for APS) prior to the termination of this offering, excluding, in each case, information deemed furnished and not filed.

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Pinnacle West Capital Corporation:

Pinnacle West Capital Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2017;

Pinnacle West Capital Corporation's Current Reports on Form 8-K filed January 9, 2018, February 20, 2018 and February 22, 2018; and

The description of Pinnacle West's common stock included in its registration statement on Form 8-B, File No. 1-8962, as filed on July 25, 1985, and any amendment or report that we have filed (or will file after the date of this prospectus and prior to the termination of this offering) for the purpose of updating such description, including Pinnacle West's Current Report on Form 8-K filed with the SEC on June 20, 2017.

Arizona Public Service Company:

Arizona Public Service Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017;

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Arizona Public Service Company's Current Reports on Form 8-K filed January 9, 2018 and February 22, 2018.

These documents contain important information about us and our financials. We will provide to each person, including any beneficial owner, to whom a prospectus is delivered, a copy of any or all of the information that has been incorporated by reference in this prospectus but not delivered with this prospectus. You may request a copy of these filings, at no cost, by writing, telephoning or contacting us through our website at the following:

Pinnacle West Capital Corporation Office of the Secretary Station 8602

P.O. Box 53999

Phoenix, Arizona 85072-3999

(602) 250-4400

Arizona Public Service Company Office of

the Secretary Station 8602 P.O. Box 53999

Phoenix, Arizona 85072-3999

(602) 250-4400

Or online at www.pinnaclewest.com.

THE COMPANIES

Pinnacle West was incorporated in 1985 under the laws of the State of Arizona and owns all of the outstanding equity securities of APS, its major subsidiary. APS is a vertically-integrated electric utility that provides either retail or wholesale electric service to most of the state of Arizona, with the major exceptions of about one-half of the Phoenix metropolitan area, the Tucson metropolitan area and Mohave County in northwestern Arizona.

The principal executive offices of Pinnacle West and APS are located at 400 North Fifth Street, PO Box 53999, Phoenix, Arizona 85072-3999, and the telephone number is 602-250-1000.

USE OF PROCEEDS

Unless otherwise stated in the prospectus supplement accompanying this prospectus, Pinnacle West intends to use the proceeds from the sale of these securities for general corporate purposes, which may include the repayment of indebtedness, capital expenditures, the funding of working capital, acquisitions, stock repurchases and/or capital infusions into one or more of its subsidiaries for any of those purposes. Unless otherwise stated in the prospectus supplement accompanying this prospectus, APS intends to use the proceeds from the sale of these securities to finance its construction, resource acquisition and maintenance programs, to redeem or retire outstanding securities, to fund working capital and/or to repay or refund other outstanding long-term or short-term debt. Any specific use of proceeds from the sale of securities will be set forth in the prospectus supplement relating to each offering of these securities.

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GENERAL DESCRIPTION OF THE SECURITIES

Pinnacle West, directly or through agents, dealers or underwriters that it designates, may offer and sell, from time to time, an indeterminate amount of:

its unsecured debt securities, in one or more series, which may be senior unsecured debt securities or subordinated unsecured debt securities, in each case consisting of notes or other unsecured evidences of indebtedness;

shares of its preferred stock;

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shares of its common stock; or

any combination of these securities.

APS, directly or through agents, dealers or underwriters that it designates, may offer and sell, from time to time, an indeterminate amount of its senior unsecured debt securities, in one or more series, consisting of notes or other unsecured evidences of indebtedness.

Pinnacle West and APS may offer and sell these securities either individually or as units consisting of one or more of these securities, each on terms to be determined at the time of sale. Pinnacle West may issue unsecured debt securities and/or shares of preferred stock that are exchangeable for and/or convertible into common stock or any of the other securities that it may sell under this prospectus. When particular securities are offered, a supplement to this prospectus will be delivered with this prospectus, which will describe the terms of the offering and sale of the offered securities.

DESCRIPTION OF PINNACLE WEST UNSECURED DEBT SECURITIES

General

The following description highlights the general terms of the unsecured debt securities that Pinnacle West may offer. In this description, we will refer to the unsecured debt securities as "debt securities." When we use the terms "we," "us," "our," and like terms in this description, we are referring to Pinnacle West. When we offer debt securities in the future, the prospectus supplement will explain the particular terms of those securities and the extent to which any of these general provisions will not apply.

We can issue an unlimited amount of debt securities under the indentures listed below. We can issue debt securities from time to time and in one or more series as determined by us. In addition, we can issue debt securities of any series with terms different from the terms of debt securities of any other series and the terms of particular debt securities within any series may differ from each other, all without the consent of the holders of previously issued series of debt securities. If specified in a prospectus supplement relating to an offering of debt securities, from time to time, without notice to, or the consent of, the existing holders of any series of debt securities then outstanding, we may create and issue additional debt securities equal in rank and having the same maturity, payment terms, redemption features, and other terms as the debt securities of such series, except for the issue date of the additional debt securities, the public offering price of the additional debt securities, the payment of interest accruing prior to the issue date of the additional debt securities and (under some circumstances) the first payment of interest following the issue date of the additional debt securities. The additional debt securities may be consolidated and form a single series with previously issued debt securities of the affected series.

The debt securities will be our direct, unsecured obligations. The debt securities may be issued in one or more series under:

an Indenture, dated as of December 1, 2000, as amended from time to time, between The Bank of New York Mellon Trust Company, N.A., successor to The Bank of New York Mellon (formerly known as The Bank of New York), as trustee, and us, in the case of senior debt securities; or

an Indenture, dated as of December 1, 2000, as amended from time to time, between The Bank of New York Mellon Trust Company, N.A., successor to The Bank of New York Mellon (formerly known as The Bank of New York), as trustee, and us, in the case of subordinated debt securities.

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Because we are structured as a holding company, all existing and future indebtedness and other liabilities of our subsidiaries will be effectively senior in right of payment to our debt securities, whether senior debt securities or subordinated debt securities. Neither of the above Indentures limits our ability or the ability of our subsidiaries to incur additional indebtedness in the future. The assets and cash flows of our subsidiaries will be available, in the first instance, to service their own debt and other obligations and our ability to have the benefit of their assets and cash flows, particularly in the case of any insolvency or financial distress affecting

our subsidiaries, would arise only through our equity ownership interests in our subsidiaries and only after their creditors had been satisfied.

We have summarized the material provisions of the Indentures below. We have filed the senior and subordinated Indentures as exhibits to the registration statement. You should read the Indentures in their entirety, including the definitions, together with this prospectus and the prospectus supplement before you make any investment decision in our debt securities. Although separate Indentures are used for subordinated debt securities and senior debt securities, references to the "Indenture" and the description of the "Indenture" in this section apply to both Indentures, unless otherwise noted.

You should refer to the prospectus supplement used in connection with the offering of any debt securities for information about a series of debt securities, including:

title of the debt securities;

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the aggregate principal amount of the debt securities or the series of which they are a part;

the date on which the debt securities mature:

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the interest rate;

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when the interest on the debt securities accrues and is payable;

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the record dates for the payment of interest;

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places where principal, premium, or interest will be payable;

periods within which, prices at which, and terms upon which we can redeem debt securities at our option;

any obligation on our part to redeem or purchase debt securities pursuant to a sinking fund or at the option of the holder;

denominations and multiples at which debt securities will be issued if other than \$1,000;

any index or formula from which the amount of principal or any premium or interest may be determined;

any allowance for alternative currencies and determination of value;

• whether the debt securities are defeasible under the terms of the Indenture;

whether we are issuing the debt securities as global securities;

any additional or different events of default and any change in the right of the trustee or the holders to declare the principal amount due and payable if there is any default;

any addition to or change in the covenants in the Indenture; and

any other terms.

We may sell the debt securities at a substantial discount below their principal amount. The prospectus supplement may describe special federal income tax considerations that apply to debt securities sold at an original issue discount or to debt securities that are denominated in a currency other than United States dollars.

Unless the applicable prospectus supplement specifies otherwise, we do not intend to list the debt securities on any securities exchange.

Other than the protections described in this prospectus and in the prospectus supplement, holders of debt securities would not be protected by the covenants in the Indenture from a highly-leveraged transaction.

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Subordination

The Indenture relating to the subordinated debt securities states that, unless otherwise provided in a supplemental indenture or a board resolution or officers' certificate establishing a series of debt securities, the debt securities will be subordinate to all senior debt. This is true whether the senior debt is outstanding as of the date of the Indenture or is incurred afterwards. The balance of the information under this heading assumes that a supplemental indenture or a board resolution results in a series of debt securities being subordinated obligations.

The Indenture states that we cannot make payments of principal, premium, or interest on the subordinated debt if:

the principal, premium or interest on senior debt is not paid when due and the applicable grace period for the default has ended and the default has not been cured or waived; or

the maturity of any senior debt has been accelerated because of a default.

The Indenture provides that we must pay all senior debt in full before the holders of the subordinated debt securities may receive or retain any payment if we make any payment to our creditors or our assets are distributed to our creditors, with certain exceptions, upon any of the following:

dissolution;
winding up;
liquidation;
reorganization, whether voluntary or involuntary;
bankruptcy;
insolvency;

any other proceedings.

receivership; or

The Indenture provides that when all amounts owing on the senior debt are paid in full, the holders of the subordinated debt securities will be subrogated to the rights of the holders of senior debt to receive payments or distributions applicable to senior debt.

The Indenture defines senior debt as the principal, premium, interest and any other payment due under any of the following, whether outstanding at the date of the Indenture or thereafter incurred, created or assumed:

all of our debt evidenced by notes, debentures, bonds, or other securities we sell for money;

all debt of others of the kinds described in the preceding bullet point that we assume or guarantee in any manner; and

all renewals, extensions, or refundings of debt of the kinds described in either of the two preceding bullet points.

However, the preceding will not be considered senior debt if the document creating the debt or the assumption or guarantee of the debt states that it is not superior to or that it is on equal footing with the subordinated debt securities.

The Indenture does not limit the aggregate amount of senior debt that we may issue.

Form, Exchange, and Transfer

Each series of debt securities will be issuable only in fully registered form and without coupons. In addition, unless otherwise specified in a prospectus supplement, the debt securities will be issued in denominations of \$1,000 and multiples of \$1,000. We, the trustee, and any of our agents may treat the registered holder of a debt security as the absolute owner for the purpose of making payments, giving notices, and for all other purposes.

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The holders of debt securities may exchange them for any other debt securities of the same series, in authorized denominations and equal principal amount. However, this type of exchange will be subject to the terms of the Indenture and any limitations that apply to global securities.

A holder may transfer debt securities by presenting the endorsed security at the office of a security registrar or transfer agent we designate. The holder will not be charged for any exchange or registration of transfer, but we may require payment to cover any tax or other governmental charge in connection with the transaction. We have appointed the trustee under each Indenture as security registrar. A prospectus supplement will name any transfer agent we designate for any debt securities if different from the security registrar. We may designate additional transfer agents or rescind the designation of any transfer agent or approve a change in the office through which any transfer agent acts at any time, except that we will maintain a transfer agent in each place of payment for debt securities.

If the debt securities of any series and/or specified tenor are to be redeemed, we will not be required to do any of the following:

issue, register the transfer of, or exchange any debt securities of that series and/or tenor beginning 15 days before the day of mailing of a notice of redemption of any such debt security that may be selected for redemption and ending at the close of business on the day of the mailing; or

register the transfer of or exchange any debt security selected for redemption, except for the unredeemed portion of a debt security that is being redeemed in part.

Payment and Paying Agents

Unless otherwise indicated in the applicable prospectus supplement, we will pay interest on a debt security on any interest payment date to the person in whose name the debt security is registered on the regular record date for such interest payment date.

Unless otherwise indicated in the applicable prospectus supplement, the principal, premium, and interest on the debt securities of a particular series will be payable at the office of the paying agents that we may designate. However, we may pay any interest by check mailed to the address, as it appears in the security register, of the person entitled to that interest. Also, unless otherwise indicated in the applicable prospectus supplement, the corporate trust office of the trustee will be our sole paying agent for payments with respect to debt securities of each series. Any other paying agent that we initially designate for the debt securities of a particular series will be named in the applicable prospectus supplement. We may at any time designate additional paying agents or rescind the designation of any paying agent or approve a change in the office through which any paying agent acts, except that we will maintain a paying agent in each place of payment for the debt securities of a particular series.

All money that we pay to a paying agent for the payment of the principal, premium, or interest on any debt security that remains unclaimed at the end of two years after the principal, premium, or interest has become due and payable will be repaid to us, and the holder of the debt security may look only to us for payment.

Consolidation, Merger, and Sale of Assets

Unless otherwise indicated in the applicable prospectus supplement, we may not:

consolidate with or merge into any other entity;

convey, transfer, or lease our properties and assets substantially as an entirety to any entity; or

permit any entity to consolidate with or merge into us or convey, transfer, or lease its properties and assets substantially as an entirety to us,

unless the following conditions are met:

the successor entity is a corporation, partnership, unincorporated organization or trust organized and validly existing under the laws of any domestic jurisdiction and assumes our obligations on the debt securities and under the Indenture;

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immediately after giving effect to the transaction, no event of default, and no event which, after notice or lapse of time or both, would become an event of default, shall have occurred and be continuing; and

other conditions are met.

Upon any such merger, consolidation, or transfer or lease of properties, the successor person will be substituted for us under the Indenture, and, thereafter, except in the case of a lease, we will be relieved of all obligations and covenants under the Indenture and the debt securities.

Events of Default

Each of the following will be an event of default under the Indenture with respect to debt securities of any series:

our failure to pay principal of or any premium on any debt security of that series when due;

our failure to pay any interest on any debt securities of that series when due, and the continuance of that failure for 30 days;

our failure to deposit any sinking fund payment, when due, in respect of any debt securities of that series;

our failure to perform any of our other covenants in the Indenture relating to that series and the continuance of that failure for 90 days after written notice has been given by the trustee or the holders of at least 25% in principal amount of the outstanding debt securities of that series;

bankruptcy, insolvency, or reorganization events involving us; and

any other event of default for that series described in the applicable prospectus supplement.

If an event of default occurs and is continuing, other than an event of default relating to bankruptcy, insolvency, or reorganization, either the trustee or the holders of at least 25% in aggregate principal amount of the outstanding debt securities of the affected series may declare the principal amount of the debt securities of that series to be due and payable immediately. In the case of any debt security that is an original issue discount security, the trustee or the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series may declare the portion of the principal amount of the debt security specified in the terms of such debt security to be immediately due and payable upon an event of default.

If an event of default involving bankruptcy, insolvency, or reorganization occurs, the principal amount of all the debt securities of the affected series will automatically, and without any action by the trustee or any holder, become immediately due and payable. After any acceleration, but before a judgment or decree based on acceleration, the holders of a majority in aggregate principal amount of the outstanding debt securities of that series may rescind and annul the acceleration if all events of default, other than the non-payment of accelerated principal, have been cured or waived as provided in the Indenture.

The trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the holders, unless the holders have offered the trustee reasonable security or indemnity. The holders of a majority in principal amount of the outstanding debt securities of any series will have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred on the trustee, with respect to the debt securities of that series, provided that:

such direction shall not be in conflict with law or the Indenture;

the trustee may take any other action not inconsistent with such direction; and

subject to the provisions of the Indenture, the trustee may decline to follow such direction if it determines in good faith that the proceedings so directed would involve the trustee in personal liability.

No holder of a debt security of any series will have any right to institute any proceeding under the Indenture, or for the appointment of a receiver or a trustee, or for any other remedy under the Indenture, unless:

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the holder has previously given the trustee written notice of a continuing event of default with respect to the debt securities of that series;

the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series have made written request, and the holder or holders have offered reasonable indemnity, to the trustee to institute the proceeding as trustee; and

the trustee has failed to institute the proceeding, and has not received from the holders of a majority in aggregate principal amount of the outstanding debt securities of that series a direction inconsistent with the request within 60 days after the notice, request, and offer of indemnity.

The limitations provided above do not apply to a suit instituted by a holder of a debt security for the enforcement of payment of the principal, premium, or interest on the debt security on or after the applicable due date.

We are required to furnish to the trustee annually a certificate of various officers stating whether or not we are in default in the performance or observance of any of the terms, provisions, and conditions of the Indenture and, if so, specifying all known defaults.

Modification and Waiver

In limited cases, we and the trustee may make modifications and amendments to the Indenture without the consent of the holders of any series of debt securities, including to cure any ambiguity, to correct or supplement any provision in the Indenture that is defective or inconsistent with any other provision, or to make other provisions with respect to matters or questions arising under the Indenture, but such action shall not adversely affect the interests of the holders of the debt securities of any series in any material respect. We and the trustee may also make modifications and amendments to the Indenture with the consent of the holders of not less than 662/3% in aggregate principal amount of the outstanding debt securities of each series affected by the modification or amendment. However, without the consent of the holder of each outstanding debt security affected, no modification or amendment may:

change the stated maturity of the principal of, or any installment of principal of or interest on, any debt security;

reduce the principal amount of any debt security or the rate of interest thereon or any premium payable on redemption thereof;

reduce the amount of principal of an original issue discount security or any other debt security payable upon acceleration of the maturity of the security;

change the place or currency of payment of principal of, or any premium or interest on, any debt security;

impair the right to institute suit for the enforcement of any payment on or with respect to any debt security; or

reduce the percentage in principal amount of outstanding debt securities of any series, the consent of whose holders is required for modification or amendment of the Indenture or is necessary for waiver of compliance with certain provisions of the Indenture or of certain defaults, or modify the provisions of the Indenture relating to modification and waiver.

In general, compliance with certain restrictive provisions of the Indenture may be waived by the holders of not less than 662/3% in aggregate principal amount of the outstanding debt securities of any series. The holders of a majority in aggregate principal amount of the outstanding debt securities of any series may waive any past default under the Indenture, except:

a default in the payment of principal, premium, or interest; and

a default under covenants and provisions of the Indenture which cannot be amended without the consent of the holder of each outstanding debt security of the affected series.

In determining whether the holders of the requisite principal amount of the outstanding debt securities have given or taken any direction, notice, consent, waiver, or other action under the Indenture as of any date:

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the principal amount of an outstanding original issue discount security will be the amount of the principal that would be due and payable upon acceleration of the maturity on that date;

if the principal amount payable at the stated maturity of a debt security is not determinable, the principal amount of the outstanding debt security will be an amount determined in the manner prescribed for in the debt security; and

the principal amount of an outstanding debt security denominated in one or more foreign currencies will be the U.S. dollar equivalent of the principal amount of the debt security or, in the case of a debt security described in the previous bullet points above, the amount described in those bullet points.

If debt securities have been fully defeased or if we have deposited money with the trustee to redeem debt securities, they will not be considered outstanding.

Except in limited circumstances, we will be entitled to set any day as a record date for the purpose of determining the holders of outstanding debt securities of any series entitled to give or take any direction, notice, consent, waiver, or other action under the Indenture. In limited circumstances, the trustee will be entitled to set a record date for action by holders. If a record date is set for any action to be taken by holders of a particular series, the action may be taken only by persons who are holders of outstanding debt securities of

that series on the record date. To be effective, the action must be taken by holders of the requisite principal amount of the debt securities within a specified period following the record date. For any particular record date, this period will be 180 days or any other shorter period that we may specify. The period may be shortened or lengthened, but not beyond 180 days.

Defeasance and Covenant Defeasance

We may elect to have the provisions of the Indenture relating to defeasance and discharge of indebtedness, or defeasance of restrictive covenants in the Indenture, applied to the debt securities of any series, or to any specified part of a series. The prospectus supplement used in connection with the offering of any debt securities will state whether we have made these elections for that series.

Defeasance and Discharge

We will be discharged from all of our obligations with respect to the debt securities of a series if we deposit with the trustee money in an amount sufficient to pay the principal, premium, and interest on the debt securities of that series when due in accordance with the terms of the Indenture and the debt securities. We can also deposit securities that will provide the necessary monies. However, we will not be discharged from the obligations to exchange or register the transfer of debt securities, to replace stolen, lost, or mutilated debt securities, to maintain paying agencies, and to hold monies for payment in trust. The defeasance or discharge may occur only if we satisfy certain requirements, including that we deliver to the trustee an opinion of counsel stating that we have received from, or there has been published by, the United States Internal Revenue Service a ruling, or there has been a change in tax law, in either case to the effect that holders of such debt securities:

will not recognize gain or loss for federal income tax purposes as a result of the deposit, defeasance, and discharge; and

will be subject to federal income tax on the same amount, in the same manner, and at the same times as would have been the case if the deposit, defeasance, and discharge were not to occur.

Defeasance of Covenants

We may elect to omit compliance with restrictive covenants in the Indenture and any additional covenants that may be described in the applicable prospectus supplement for a series of debt securities. This election will preclude some actions from being considered defaults under the Indenture for the applicable series. In order to exercise this option, we will be required to deposit, in trust for the benefit of the holders of debt securities, funds in an amount sufficient to pay the principal, premium and interest on the debt securities of the applicable series. We may also deposit securities that will provide the necessary monies. We will also be required to satisfy certain requirements, including that we deliver to the trustee an opinion of

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counsel to the effect that holders of the debt securities will not recognize gain or loss for federal income tax purposes as a result of such deposit and defeasance of certain obligations and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if the deposit and defeasance were not to occur. If we exercise this option with respect to any debt securities and the debt securities are declared due and payable because of the occurrence of any event of default, the amount of funds deposited in trust would be sufficient to pay amounts due on the debt securities at the time of their respective stated maturities but may not be sufficient to pay amounts due on the debt securities on any acceleration resulting from an event of default. In that case, we would remain liable for the additional payments.

Governing Law

The law of the State of New York will govern the Indenture and the debt securities.

Global Securities

Some or all of the debt securities of any series may be represented, in whole or in part, by one or more global securities, which will have an aggregate principal amount equal to that of the debt securities they represent. We will register each global security in the name of a depositary or nominee identified in a

prospectus supplement and deposit the global security with the depositary or nominee. Each global security will bear a legend regarding the restrictions on exchanges and registration of transfer referred to below and other matters specified in a supplemental indenture to the Indenture.

No global security may be exchanged for debt securities registered, and no transfer of a global security may be registered, in the name of any person other than the depositary for the global security or any nominee of the depositary, unless:

the depositary has notified us that it is unwilling or unable to continue as depositary for the global security or has ceased to be a clearing agency registered under the Exchange Act;

an event of default has occurred and is continuing with respect to the debt securities represented by the global security; or

any other circumstances exist that may be described in the applicable supplemental indenture and prospectus supplement.

We will register all securities issued in exchange for a global security or any portion of a global security in the names specified by the depositary.

As long as the depositary or its nominee is the registered holder of a global security, the depositary or nominee will be considered the sole owner and holder of the global security and the debt securities that it represents. Except in the limited circumstances referred to above, owners of beneficial interests in a global security will not:

be entitled to have the global security or debt securities registered in their names;

receive or be entitled to receive physical delivery of certificated debt securities in exchange for a global security; and

be considered to be the owners or holders of the global security or any debt securities for any purpose under the Indenture.

We will make all payments of principal, premium, and interest on a global security to the depositary or its nominee. The laws of some jurisdictions require that purchasers of securities take physical delivery of securities in definitive form. These laws make it difficult to transfer beneficial interests in a global security.

Ownership of beneficial interests in a global security will be limited to institutions that have accounts with the depositary or its nominee, referred to as "Participants," and to persons that may hold beneficial interests through Participants. In connection with the issuance of any global security, the depositary will credit, on its book-entry registration and transfer system, the respective principal amounts of debt securities represented by the global security to the accounts of its Participants. Ownership of beneficial interests in a

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global security will only be shown on records maintained by the depositary or the Participant. Likewise, the transfer of ownership interests will be effected only through the same records. Payments, transfers, exchanges, and other matters relating to beneficial interests in a global security may be subject to various policies and procedures adopted by the depositary from time to time. Neither we, the trustee, nor any of our agents will have responsibility or liability for any aspect of the depositary's or any Participant's records relating to, or for payments made on account of, beneficial interests in a global security, or for maintaining, supervising, or reviewing any records relating to the beneficial interests.

Regarding the Trustee

The Bank of New York Mellon Trust Company, N.A., successor to The Bank of New York Mellon (formerly known as The Bank of New York), is the trustee under our Indentures relating to the senior debt securities and the subordinated debt securities. It or its affiliate, The Bank of New York Mellon, is also the

trustee under certain indentures covering securities issued by us, our affiliates or on our or their behalf. We and our affiliates maintain normal commercial and banking relationships with The Bank of New York Mellon Trust Company, N.A. and/or its affiliates. In the future, The Bank of New York Mellon Trust Company, N.A. and/or its affiliates may provide banking, investment and other services to us and our affiliates.

DESCRIPTION OF PINNACLE WEST PREFERRED STOCK

Pinnacle West may issue, from time to time, shares of one or more series of its preferred stock. When we use the terms "we," "us," "our," and like terms in this description, we are referring to Pinnacle West. The following description sets forth certain general terms and provisions of the preferred stock to which any prospectus supplement may relate. The particular terms of any series of preferred stock and the extent, if any, to which these general provisions may apply to the series of preferred stock offered will be described in the prospectus supplement relating to that preferred stock.

The following summary of provisions of the preferred stock does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of our articles of incorporation, bylaws, and the amendment to our articles relating to a specific series of the preferred stock (the "statement of preferred stock designations"), which will be in the form filed as an exhibit to, or incorporated by reference in, the registration statement of which this prospectus is a part. Before investing in any series of our preferred stock, you should read our articles and bylaws.

General

Under our articles of incorporation, we have the authority to issue up to 10,000,000 shares of preferred stock. As of April 20, 2018, no shares of preferred stock were outstanding. Our Board of Directors is authorized to issue shares of preferred stock in one or more series and to fix for each series voting powers and those preferences and relative, participating, optional or other special rights and those qualifications, limitations or restrictions as are permitted by the Arizona Business Corporation Act (the "ABCA"). For a description of provisions in our articles and bylaws or under Arizona law that could delay, defer or prevent a change in control, see "Description of Pinnacle West Common Stock—Certain Anti-takeover Effects."

Our Board of Directors is authorized to determine the terms for each series of preferred stock, and the prospectus supplement will describe the terms of any series of preferred stock being offered, including:

the designation of the shares and the number of shares that constitute the series;

the dividend rate (or the method of calculation thereof), if any, on the shares of the series and the priority as to payment of dividends with respect to other classes or series of our capital stock;

the dividend periods (or the method of calculation thereof);

the voting rights of the shares;

the liquidation preference and the priority as to payment of the liquidation preference with respect to other classes or series of our capital stock and any other rights of the shares of the series upon our liquidation or winding up;

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whether and on what terms the shares of the series will be subject to redemption or repurchase at our option or at the option of the holders thereof;

whether and on what terms the shares of the series will be convertible into or exchangeable for other securities;

whether the shares of the series of preferred stock will be listed on a securities exchange;

any special United States federal income tax considerations applicable to the series; and

the other rights and privileges and any qualifications, limitations or restrictions of the rights or privileges of the series.

Dividends

Holders of shares of preferred stock will be entitled to receive, when and as declared by our Board of Directors out of our funds legally available therefor, a cash dividend payable at the dates and at the rates, if any, per share as set forth in the applicable prospectus supplement.

Convertibility

No series of preferred stock will be convertible into, or exchangeable for, other securities or property except as set forth in the applicable prospectus supplement.

Redemption and Sinking Fund

No series of preferred stock will be redeemable or receive the benefit of a sinking fund except as set forth in the applicable prospectus supplement.

Liquidation Rights

Unless otherwise set forth in the applicable prospectus supplement, in the event of our liquidation, dissolution or winding up, the holders of shares of each series of preferred stock are entitled to receive distributions out of our assets available for distribution to shareholders, before any distribution of assets is made to holders of (i) any other shares of preferred stock ranking junior to that series of preferred stock as to rights upon liquidation and (ii) shares of common stock. The amount of liquidating distributions received by holders of preferred stock will generally equal the liquidation preference specified in the applicable prospectus supplement for that series of preferred stock, plus any dividends accrued and accumulated but unpaid to the date of final distribution. The holders of each series of preferred stock will not be entitled to receive the liquidating distribution of, plus such dividends on, those shares until the liquidation preference of any shares of our capital stock ranking senior to that series of the preferred stock as to the rights upon liquidation shall have been paid or set aside for payment in full.

If upon our liquidation, dissolution or winding up, the amounts payable with respect to the preferred stock, and any other preferred stock ranking as to any distribution on a parity with the preferred stock are not paid in full, then the holders of the preferred stock and the other parity preferred stock will share ratably in any distribution of assets in proportion to the full respective preferential amount to which they are entitled. Unless otherwise specified in a prospectus supplement for a series of preferred stock, after payment of the full amount of the liquidating distribution to which they are entitled, the holders of shares of preferred stock will not be entitled to any further participation in any distribution of our assets. Neither a consolidation or merger of us with another corporation nor a sale of securities shall be considered a liquidation, dissolution or winding up of us.

Voting Rights

The holders of each series of preferred stock we may issue will have no voting rights, except as required by law and as described below or in the applicable prospectus supplement. Our Board of Directors may, upon issuance of a series of preferred stock, grant voting rights to the holders of that series, including rights to elect additional board members if we fail to pay dividends in a timely fashion.

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Arizona law provides for certain voting rights for holders of a class of stock, even if the stock does not have other voting rights. Thus, the holders of all shares of a class would be entitled to vote on any amendment to our articles of incorporation that would:

increase or decrease the aggregate number of authorized shares of the class;

effect an exchange or reclassification of all or part of the shares of the class into shares of another class;

effect an exchange or reclassification, or create the right of exchange of all or part of the shares of another class into shares of the class;

change the designations, rights, obligations, preferences, or limitations of all or part of the shares of the class;

change the shares of all or part of the class into a different number of shares of the same class;

create a new class of shares having rights or preferences with respect to distributions or to dissolution that are prior, superior or substantially equal to the shares of the class;

increase rights, preferences or number of authorized shares of any class that, after giving effect to the amendment, have rights or preferences with respect to distributions or to dissolution that are prior, superior or substantially equal to the shares of the class;

limit or deny an existing preemptive right of all or part of the class; and

cancel or otherwise affect rights to distributions or dividends that have accumulated but have not yet been declared on all or part of the shares of the class.

If the proposed amendment would affect a series of the class, but not the entire class, in one or more of the ways described in the bullets above, then the shares of the affected series will have the right to vote on the amendment as a separate voting group. However, if a proposed amendment that would entitle two or more series of the class to vote as separate voting groups would affect those series in the same or a substantially similar way, the shares of all the series so affected must vote together as a single voting group on the proposed amendment.

Unless the articles of incorporation, Arizona law or the Board of Directors would require a greater vote or unless the articles or Arizona law would require a different quorum, if an amendment to the articles would allow the preferred stock or one or more series of the preferred stock to vote as voting groups, the vote required by each voting group would be:

a majority of the votes entitled to be cast by the voting group, if the amendment would create dissenters' rights for that voting group; and

in any other case, if a quorum is present in person or by proxy consisting of a majority of the votes entitled to be cast on the matter by the voting group, the votes cast by the voting group in favor of the amendment must exceed the votes cast against the amendment by the voting group.

Arizona law may also require that the preferred stock be entitled to vote on certain other extraordinary transactions.

Miscellaneous

The holders of our preferred stock will have no preemptive rights. All shares of preferred stock being offered by the applicable prospectus supplement will be fully paid and not liable to further calls or assessment by us. If we should redeem or otherwise reacquire shares of our preferred stock, then these shares will resume the status of authorized and unissued shares of preferred stock undesignated as to series, and will be available for subsequent issuance. There are no restrictions on repurchase or redemption of the preferred stock while there is any arrearage on sinking fund installments except as may be set forth in an applicable prospectus supplement. Payment of dividends on any series of preferred stock may be restricted by loan agreements, indentures and other transactions entered into by us. Any material contractual restrictions on dividend payments that exist at the time of the offer of any preferred stock will be described or incorporated by reference in the applicable prospectus supplement.

When we offer to sell a series of preferred stock, we will describe the specific terms of the series in the applicable prospectus supplement. If any particular terms of a series of preferred stock described in a prospectus supplement differ from any of the terms described in this prospectus, then the terms described in the applicable prospectus supplement will be deemed to supersede the terms described in this prospectus.

No Other Rights

The shares of a series of preferred stock will not have any preferences, voting powers or relative, participating, optional or other special rights except as set forth above or in the applicable prospectus supplement, our articles of incorporation or the applicable statement of preferred stock designations or as otherwise required by law.

Transfer Agent and Registrar

The transfer agent and registrar for each series of preferred stock will be designated in the applicable prospectus supplement.

DESCRIPTION OF PINNACLE WEST COMMON STOCK

Pinnacle West may issue, from time to time, shares of its common stock, the general terms and provisions of which are summarized below. When we use the terms "we," "us," "our," and like terms in this description, we are referring to Pinnacle West. This summary does not purport to be complete and is subject to, and is qualified in its entirety by express reference to, the provisions of our articles of incorporation, our bylaws and the applicable prospectus supplement.

Authorized Shares

Under our articles of incorporation, we have the authority to issue 150,000,000 shares of common stock. Our Board of Directors has significant discretion to determine the timing, circumstances and purposes for which the authorized shares of common stock available for issuance under our articles of incorporation may be issued, including in the context of acquisitions or other strategic transactions.

Dividends

Subject to any preferential rights of any series of preferred stock, holders of shares of common stock will be entitled to receive dividends on the stock out of assets legally available for distribution when, as and if declared by our Board of Directors. The payment of dividends on the common stock will be a business decision to be made by our Board of Directors from time to time based upon results of our operations and our financial condition and any other factors that our Board of Directors considers relevant. Payment of dividends on the common stock may be restricted by loan agreements, indentures and other transactions entered into by us from time to time. Any material contractual restrictions on dividend payments that exist at the time of the offer of any common stock will be described in the applicable prospectus supplement. In addition, our principal income consists of dividends paid to us by our subsidiaries, primarily APS. APS's ability to pay dividends could be limited or restricted from time to time by loan agreements, indentures and other transactions or by law or regulatory authorities.

Voting Rights

Holders of common stock are entitled to one vote per share on all matters voted on generally by the shareholders. Arizona law provides for cumulative voting for the election of directors. As a result, any shareholder may cumulate his or her votes by casting them all for any one director nominee or by distributing them among two or more nominees. This may make it easier for minority shareholders to elect a director.

Liquidation Rights

Subject to any preferential rights of any series of preferred stock, holders of shares of common stock are entitled to share ratably in our assets legally available for distribution to our shareholders in the event of our liquidation, dissolution or winding up.

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Absence of Other Rights or Assessments

Holders of common stock have no preferential, preemptive, conversion or exchange rights. When issued in accordance with our articles of incorporation and law, shares of our common stock being offered by the applicable prospectus supplement will be fully paid and not liable to further calls or assessment by us.

Transfer Agent and Registrar

Computershare Trust Company, N. A. is the transfer agent and registrar for the common stock.

Preferred Stock

Our Board of Directors has the authority, without any further action by our shareholders, to issue from time to time up to 10,000,000 shares of preferred stock, in one or more series, and to fix the designations, preferences, rights, qualifications, limitations and restrictions thereof, including voting rights, dividend rights, dividend rates, conversion rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series. The issuance of preferred stock with voting rights could have an adverse effect on the voting power of holders of common stock by increasing the number of outstanding shares having voting rights. In addition, if our Board of Directors authorizes preferred stock with conversion rights, the number of shares of common stock outstanding could potentially be increased up to the authorized amount. The issuance of preferred stock could decrease the amount of earnings and assets available for distribution to holders of common stock. Any such issuance could also have the effect of delaying, deterring or preventing a change in control of us. See also "Description of Pinnacle West Preferred Stock" above.

Certain Anti-takeover Effects

General. Certain provisions of our articles of incorporation, our bylaws, and Arizona law may have an anti-takeover effect and may delay or prevent a tender offer or other acquisition transaction that a shareholder might consider to be in his or her best interest. The summary of the provisions of our articles, bylaws and Arizona law set forth below does not purport to be complete and is qualified in its entirety by reference to our articles, bylaws and Arizona law.

Business Combinations. Arizona law and our bylaws restrict a wide range of transactions (collectively, "business combinations") between us or, in certain cases, one of our subsidiaries, and an interested shareholder. An "interested shareholder" is:

any person who beneficially owns, directly or indirectly, 10% or more of our outstanding voting power, or

any of our affiliates or associates who at any time within the prior three years was such a beneficial owner. The statute defines "business combinations" to include, with certain exceptions:

mergers, consolidations and share exchanges with an interested shareholder;

any sale, lease, exchange, mortgage, pledge, transfer or other disposition of assets to an interested shareholder, representing 10% or more of (i) the aggregate market value of all of our consolidated assets as of the end of the most recent fiscal quarter, (ii) the aggregate market value of all our outstanding shares, or (iii) our consolidated revenues or net income for the four most recent fiscal quarters;

the issuance or transfer of shares of stock having an aggregate market value of 5% or more of the aggregate market value of all of our outstanding shares to an interested shareholder;

the adoption of a plan or proposal for our liquidation or dissolution or reincorporation in another state or jurisdiction pursuant to an agreement or arrangement with an interested shareholder;

corporate actions, such as stock splits and stock dividends, and other transactions, in each case resulting in an increase in the proportionate share of the outstanding shares of any series or class of stock of us or any of our subsidiaries owned by an interested shareholder; and

the receipt by an interested shareholder of the benefit (other than proportionately as a shareholder) of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by or through us or any of our subsidiaries.

Arizona law and our bylaws provide that, subject to certain exceptions, we may not engage in a business combination with an interested shareholder or authorize one of our subsidiaries to do so, for a period of three years after the date on which the interested shareholder first acquired the shares that qualify such person as an interested shareholder (the "share acquisition date"), unless either the business combination or the interested shareholder's acquisition of shares on the share acquisition date is approved by a committee of our Board of Directors (comprised solely of disinterested directors or other disinterested persons) prior to the interested shareholder's share acquisition date.

In addition, after such three-year period, Arizona law and our bylaws prohibit us from engaging in any business combination with an interested shareholder, subject to certain exceptions, unless:

the business combination or acquisition of shares by the interested shareholder on the share acquisition date was approved by our Board of Directors prior to the share acquisition date;

the business combination is approved by holders of a majority of our outstanding shares (excluding shares beneficially owned by the interested shareholder) at a meeting called after such three-year period; or

the business combination satisfies specified price and other requirements.

Anti-Greenmail Provisions. Arizona law and our bylaws prohibit us from purchasing any shares of our voting stock from any beneficial owner (or group of beneficial owners acting together) of more than 5% of the voting power of our outstanding shares at a price per share in excess of the average closing sale price during the 30 trading days preceding the purchase or if the person or persons have commenced a tender offer or announced an intention to seek control of us, during the 30 trading days prior to the commencement of the tender offer or the making of the announcement, if the 5% beneficial owner has beneficially owned the shares to be purchased for a period of less than three years, unless:

holders of a majority of our voting power (excluding shares held by the 5% beneficial owner or by any of our officers and directors) approve the purchase; or

we make the repurchase offer available to all holders of the class or series of securities to be purchased and to all holders of other securities convertible into that class or series.

Control Share Acquisition Statute. Under Arizona law, a control share acquisition is an acquisition, subject to certain exceptions, by a beneficial owner that would result in the owner having a new range of voting power within any of the following ranges: (i) at least 20% but less than 331/3%; (ii) at least 331/3% but less than or equal to 50%; or (iii) more than 50%. Through a provision in our bylaws, we have opted out of the Arizona statutory provisions regulating control share acquisitions. As a result, potential acquirors are not subject to the limitations imposed by that statute.

Special Meetings of Shareholders. Our bylaws provide that, except as required by law, special meetings of shareholders may be called by a majority of our Board of Directors, the Chairman of the Board, the President, or shareholders who hold in the aggregate at least 25% of the voting power of the outstanding capital stock of Pinnacle West ("Special Meeting Requesting Shareholders"). Special Meeting Requesting Shareholders must meet certain qualifications and must submit a written request to the Corporate Secretary, containing the information required by our bylaws. A request for a special meeting made by Special Meeting Requesting Shareholders may be rejected if: (1) a meeting of shareholders that included an identical or substantially similar item of business, as determined in good faith by our Board of Directors, was held not more than 90 days before the Corporate Secretary received the request; (2) our Board of Directors has called or calls for a meeting of shareholders to be held within 90 days after the Corporate Secretary receives the request and our Board of Directors determines in good faith that the business to be conducted at such meeting includes similar business to that stated in the request; or (3) the request relates to an item of business that is not a proper subject for shareholder action under, or involves a violation of, applicable law.

Election and Removal of Directors. Each member of our Board of Directors is elected annually to hold office until the next annual meeting of the shareholders or until his or her earlier death, resignation or removal or until his or her successor is duly elected and qualified.

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Our bylaws provide that any director or the entire Board of Directors may be removed by vote of the shareholders with or without cause, but only at a special meeting called for that purpose, if the votes cast in favor of such removal exceed the votes cast against such removal. However, if less than the entire Board of Directors is to be removed, no one director may be removed if the votes cast against the director's removal would be sufficient to elect the director if then cumulatively voted at an election of directors.

Our bylaws provide that a director in an uncontested election who receives a greater number of votes cast "withheld" for his or her election than "for" such election must tender his or her resignation to the Corporate Governance Committee of our Board of Directors for consideration. The Corporate Governance Committee will evaluate the director's tendered resignation, taking into account the best interest of Pinnacle West and its shareholders and will recommend to our Board of Directors whether to accept or reject the resignation. Any director tendering a resignation pursuant to this provision of our bylaws will not participate in any committee or Board of Director consideration of his or her resignation.

Our bylaws grant our Board of Directors the exclusive power to increase the size of our Board of Directors. Any such increase in the size of our Board of Directors, and the filling of any vacancy created thereby, require action by a majority of the whole membership of our Board of Directors as comprised immediately before such increase.

Shareholder Proposals and Director Nominations. A shareholder can submit shareholder proposals and nominate candidates for election to our Board of Directors in connection with our annual meeting if he or she follows the advance notice and other relevant provisions set forth in our bylaws. With respect to director nominations at an annual meeting not included in our proxy materials, shareholders must satisfy the provisions set forth in our bylaws and submit written notice to the Corporate Secretary at least 180 days prior to the date of the meeting. With respect to director nominations at an annual meeting to be included in our proxy materials, shareholders must satisfy the provisions set forth in our bylaws and submit such nomination to the Corporate Secretary not fewer than 120 nor more than 150 days prior to the first anniversary of the date that we mailed our proxy statement for the prior year's annual meeting of shareholders. With respect to shareholder proposals to bring other business before the annual meeting, shareholders must submit a written notice to the Corporate Secretary not fewer than 90 nor more than 120 days prior to the first anniversary of the date of our previous year's annual meeting of shareholders. However, if we have changed the date of the annual meeting by more than 120 days before the annual meeting and not later than 90 days before the annual meeting or ten days after the day we make public the date of the annual meeting.

A shareholder must also comply with all applicable laws in proposing business to be conducted and in nominating directors. The notice provisions of the bylaws do not affect rights of shareholders to request inclusion of proposals in our proxy statement pursuant to Rule 14a-8 of the Exchange Act.

Amendment to Articles of Incorporation and Bylaws. Both the Board of Directors and the shareholders must approve amendments to an Arizona corporation's articles of incorporation, except that the Board of Directors may adopt specified ministerial amendments without shareholder approval. Unless the articles of incorporation, Arizona law or the Board of Directors would require a greater vote or unless the articles of incorporation or Arizona law would require a different quorum, the vote required by each voting group allowed or required to vote on the amendment would be:

a majority of the votes entitled to be cast by the voting group, if the amendment would create dissenters' rights for that voting group; and

in any other case, if a quorum is present in person or by proxy consisting of a majority of the votes entitled to be cast on the matter by the voting group, the votes cast by the voting group in favor of the amendment must exceed the votes cast against the amendment by the voting group.

The Board of Directors may amend or repeal the corporation's bylaws unless either: (i) the articles or applicable law reserves this power exclusively to shareholders in whole or in part or (ii) the shareholders in amending or repealing a particular bylaw provide expressly that the Board may not amend or repeal that bylaw.

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without the vote of a majority of the Board of Directors then in office or the affirmative vote of a majority of votes cast on the matter at a meeting of shareholders.

Issuance of Additional Shares. Our Board of Directors has the ability to issue additional shares of common stock and shares of preferred stock and to determine the price and, with respect to preferred stock, the other terms, including preferences and voting rights, of those shares without shareholder approval. See the discussion above under the headings "Authorized Shares" and "Preferred Stock."

DESCRIPTION OF APS UNSECURED DEBT SECURITIES

General

The following description highlights the general terms of the unsecured debt securities that APS may offer. In this description, we will refer to the unsecured debt securities as "debt securities." When we use the terms "we," "us," "our," and like terms in this description, we are referring to APS. When we offer debt securities in the future, the prospectus supplement will explain the particular terms of those securities and the extent to which any of these general provisions will not apply.

We can issue an unlimited amount of debt securities under the indenture listed below. We can issue debt securities from time to time and in one or more series as determined by us. In addition, we can issue debt securities of any series with terms different from the terms of debt securities of any other series and the terms of particular debt securities within any series may differ from each other, all without the consent of the holders of previously issued series of debt securities. If specified in a prospectus supplement relating to an offering of debt securities, from time to time, without notice to, or the consent of, the existing holders of any series of debt securities then outstanding, we may create and issue additional debt securities equal in rank and having the same maturity, payment terms, redemption features, and other terms as the debt securities of such series, except for the issue date of the additional debt securities, the public offering price of the additional debt securities, the payment of interest accruing prior to the issue date of the additional debt securities and (under some circumstances) the first payment of interest following the issue date of the additional debt securities. The additional debt securities may be consolidated and form a single series with previously issued debt securities of the affected series.

The debt securities will be our direct, unsecured obligations. The debt securities may be issued in one or more series under an Indenture, dated as of January 15, 1998, as amended from time to time, between The Bank of New York Mellon Trust Company, N.A., successor to JPMorgan Chase Bank, N.A., formerly known as The Chase Manhattan Bank, and us.

We have summarized the material provisions of the Indenture below. We have filed the Indenture as an exhibit to the registration statement. You should read the Indenture in its entirety, including the definitions, together with this prospectus and the prospectus supplement before you make any investment decision in our debt securities.

You should refer to the prospectus supplement used in connection with the offering of any debt securities for information about a series of debt securities, including:

title of the debt securities;

the aggregate principal amount of the debt securities or the series of which they are a part;

the date on which the debt securities mature;

the interest rate;

when the interest on the debt securities accrues and is payable;

the record dates for the payment of interest;

places where principal, premium, or interest will be payable;

periods within which, prices at which, and terms upon which we can redeem debt securities at our option;

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any obligation on our part to redeem or purchase debt securities pursuant to a sinking fund or at the option of the holder;

denominations and multiples at which debt securities will be issued if other than \$1,000;

any index or formula from which the amount of principal or any premium or interest may be determined;

any allowance for alternative currencies and determination of value;

whether the debt securities are defeasible under the terms of the Indenture;

whether we are issuing the debt securities as global securities;

any additional or different events of default and any change in the right of the trustee or the holders to declare the principal amount due and payable if there is any default;

any addition to or change in the covenants in the Indenture; and

any other terms.

We may sell the debt securities at a substantial discount below their principal amount. The prospectus supplement may describe special federal income tax considerations that apply to debt securities sold at an original issue discount or to debt securities that are denominated in a currency other than United States dollars.

We must obtain the approval of the ACC before incurring long-term debt. An ACC order dated February 6, 2013 allows us to have approximately \$5.1 billion in principal amount of long-term debt outstanding at any one time, subject to the satisfaction of certain conditions, including the satisfaction of a minimum common equity test and a debt service coverage test.

Unless the applicable prospectus supplement specifies otherwise, we do not intend to list the debt securities on any securities exchange.

Other than the protections described in this prospectus and in the related prospectus supplement, holders of debt securities would not be protected by the covenants in the Indenture from a highly-leveraged transaction.

Form, Exchange, and Transfer

Each series of debt securities will be issuable only in fully registered form and without coupons. In addition, unless otherwise specified in a prospectus supplement, the debt securities will be issued in denominations of \$1,000 and multiples of \$1,000. We, the trustee, and any of our agents may treat the registered holder of a debt security as the absolute owner for the purpose of making payments, giving notices, and for all other purposes.

The holders of debt securities may exchange them for any other debt securities of the same series, in authorized denominations and equal principal amount. However, this type of exchange will be subject to the terms of the Indenture and any limitations that apply to global securities.

A holder may transfer debt securities by presenting the endorsed security at the office of a security registrar or transfer agent we designate. The holder will not be charged for any exchange or registration of transfer, but we may require payment to cover any tax or other governmental charge in connection with the transaction. We have appointed the trustee under the Indenture as security registrar. A prospectus supplement will name any transfer agent we designate for any debt securities if different from the security registrar. We may designate additional transfer agents or rescind the designation of any transfer agent or approve a change in the office through which any transfer agent acts at any time, except that we will maintain a transfer agent in each place of payment for debt securities.

If the debt securities of any series and/or specified tenor are to be redeemed, we will not be required to do any of the following:

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issue, register the transfer of, or exchange any debt securities of that series and/or tenor beginning 15 days before the day of mailing of a notice of redemption of any such debt security that may be selected for redemption and ending at the close of business on the day of the mailing; or

register the transfer of or exchange any debt security selected for redemption, except for the unredeemed portion of a debt security that is being redeemed in part.

Payment and Paying Agents

Unless otherwise indicated in the applicable prospectus supplement, we will pay interest on a debt security on any interest payment date to the person in whose name the debt security is registered on the regular record date for such interest payment date.

Unless otherwise indicated in the applicable prospectus supplement, the principal, premium, and interest on the debt securities of a particular series will be payable at the office of the paying agents that we may designate. However, we may pay any interest by check mailed to the address, as it appears in the security register, of the person entitled to that interest. Also, unless otherwise indicated in the applicable prospectus supplement, the corporate trust office of the trustee will be our sole paying agent for payments with respect to debt securities of each series. Any other paying agent that we initially designate for the debt securities of a particular series will be named in the applicable prospectus supplement. We may at any time designate additional paying agents or rescind the designation of any paying agent or approve a change in the office through which any paying agent acts, except that we will maintain a paying agent in each place of payment for the debt securities of a particular series.

All money that we pay to a paying agent for the payment of the principal, premium, or interest on any debt security that remains unclaimed at the end of two years after the principal, premium, or interest has become due and payable will be repaid to us, and the holder of the debt security may look only to us for payment.

Consolidation, Merger, and Sale of Assets

Unless otherwise indicated in the applicable prospectus supplement, we may not:

- consolidate with or merge into any other entity;
- convey, transfer, or lease our properties and assets substantially as an entirety to any entity; or
- permit any entity to consolidate with or merge into us or convey, transfer, or lease its properties and assets substantially as an entirety to us,

unless the following conditions are met:

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the successor entity is a corporation, partnership, unincorporated organization or trust organized and validly existing under the laws of any domestic jurisdiction and assumes our obligations on the debt securities and under the Indenture;

immediately after giving effect to the transaction, no event of default, and no event which, after notice or lapse of time or both, would become an event of default, shall have occurred and be continuing; and

other conditions are met.

Upon any such merger, consolidation, or transfer or lease of properties, the successor person will be substituted for us under the Indenture, and, thereafter, except in the case of a lease, we will be relieved of all obligations and covenants under the Indenture and the debt securities.

Events of Default

Each of the following will be an event of default under the Indenture with respect to debt securities of any series:

our failure to pay principal of or any premium on any debt security of that series when due;

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our failure to pay any interest on any debt securities of that series when due, and the continuance of that failure for 30 days;

our failure to deposit any sinking fund payment, when due, in respect of any debt securities of that series;

our failure to perform any of our other covenants in the Indenture relating to that series and the continuance of that failure for 90 days after written notice has been given by the trustee or the holders of at least 25% in principal amount of the outstanding debt securities of that series;

bankruptcy, insolvency, or reorganization events involving us; and

any other event of default for that series described in the applicable prospectus supplement.

If an event of default occurs and is continuing, other than an event of default relating to bankruptcy, insolvency, or reorganization, either the trustee or the holders of at least 25% in aggregate principal amount of the outstanding debt securities of the affected series may declare the principal amount of the debt securities of that series to be due and payable immediately. In the case of any debt security that is an original issue discount security, the trustee or the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series may declare the portion of the principal amount of the debt security specified in the terms of such debt security to be immediately due and payable upon an event of default.

If an event of default involving bankruptcy, insolvency, or reorganization occurs, the principal amount of all the debt securities of the affected series will automatically, and without any action by the trustee or any holder, become immediately due and payable. After any acceleration, but before a judgment or decree based on acceleration, the holders of a majority in aggregate principal amount of the outstanding debt securities of that series may rescind and annul the acceleration if all events of default, other than the non-payment of accelerated principal, have been cured or waived as provided in the Indenture.

The trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the holders, unless the holders have offered the trustee reasonable security or indemnity. The holders of a majority in principal amount of the outstanding debt securities of any series will have the right to direct the time, method, and place of conducting any proceeding for any remedy available to

the trustee, or exercising any trust or power conferred on the trustee, with respect to the debt securities of that series, provided that:

such direction shall not be in conflict with law or the Indenture;

the trustee may take any other action not inconsistent with such direction; and

subject to the provisions of the Indenture, the trustee may decline to follow such direction if it determines in good faith that the proceedings so directed would involve the trustee in personal liability.

No holder of a debt security of any series will have any right to institute any proceeding under the Indenture, or for the appointment of a receiver or a trustee, or for any other remedy under the Indenture, unless:

the holder has previously given the trustee written notice of a continuing event of default with respect to the debt securities of that series;

the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series have made written request, and the holder or holders have offered reasonable indemnity, to the trustee to institute the proceeding as trustee; and

the trustee has failed to institute the proceeding, and has not received from the holders of a majority in aggregate principal amount of the outstanding debt securities of that series a direction inconsistent with the request within 60 days after the notice, request, and offer of indemnity.

The limitations provided above do not apply to a suit instituted by a holder of a debt security for the enforcement of payment of the principal, premium, or interest on the debt security on or after the applicable due date.

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We are required to furnish to the trustee annually a certificate of various officers stating whether or not we are in default in the performance or observance of any of the terms, provisions, and conditions of the Indenture and, if so, specifying all known defaults.

Modification and Waiver

In limited cases, we and the trustee may make modifications and amendments to the Indenture without the consent of the holders of any series of debt securities, including to cure any ambiguity, to correct or supplement any provision in the Indenture that is defective or inconsistent with any other provision, or to make other provisions with respect to matters or questions arising under the Indenture, but such action shall not adversely affect the interests of the holders of the debt securities of any series in any material respect. We and the trustee may also make modifications and amendments to the Indenture with the consent of the holders of not less than 66½% in aggregate principal amount of the outstanding debt securities of each series affected by the modification or amendment. However, without the consent of the holder of each outstanding debt security affected, no modification or amendment may:

change the stated maturity of the principal of, or any installment of principal of or interest on, any debt security;

reduce the principal amount of any debt security or the rate of interest thereon or any premium payable on redemption thereof;

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reduce the amount of principal of an original issue discount security or any other debt security payable upon acceleration of the maturity of the security;

change the place or currency of payment of principal of, or any premium or interest on, any debt security;

impair the right to institute suit for the enforcement of any payment on or with respect to any debt security; or

reduce the percentage in principal amount of outstanding debt securities of any series, the consent of whose holders is required for modification or amendment of the Indenture or is necessary for waiver of compliance with certain provisions of the Indenture or of certain defaults, or modify the provisions of the Indenture relating to modification and waiver.

In general, compliance with certain restrictive provisions of the Indenture may be waived by the holders of not less than 662/3% in aggregate principal amount of the outstanding debt securities of any series. The holders of a majority in aggregate principal amount of the outstanding debt securities of any series may waive any past default under the Indenture, except:

a default in the payment of principal, premium, or interest; and

a default under covenants and provisions of the Indenture which cannot be amended without the consent of the holder of each outstanding debt security of the affected series.

In determining whether the holders of the requisite principal amount of the outstanding debt securities have given or taken any direction, notice, consent, waiver, or other action under the Indenture as of any date:

the principal amount of an outstanding original issue discount security will be the amount of the principal that would be due and payable upon acceleration of the maturity on that date;

if the principal amount payable at the stated maturity of a debt security is not determinable, the principal amount of the outstanding debt security will be an amount determined in the manner prescribed for the debt security; and

the principal amount of an outstanding debt security denominated in one or more foreign currencies will be the U.S. dollar equivalent of the principal amount of the debt security or, in the case of a debt security described in the previous bullet points above, the amount described in those bullet points.

If debt securities have been fully defeased or if we have deposited money with the trustee to redeem debt securities, they will not be considered outstanding.

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Except in limited circumstances, we will be entitled to set any day as a record date for the purpose of determining the holders of outstanding debt securities of any series entitled to give or take any direction, notice, consent, waiver, or other action under the Indenture. In limited circumstances, the trustee will be entitled to set a record date for action by holders. If a record date is set for any action to be taken by holders of a particular series, the action may be taken only by persons who are holders of outstanding debt securities of that series on the record date. To be effective, the action must be taken by holders of the requisite principal amount of the debt securities within a specified period following the record date. For any particular record date, this period will be 180 days or any other shorter period that we may specify. The period may be shortened or lengthened, but not beyond 180 days.

Defeasance and Covenant Defeasance

We may elect to have the provisions of the Indenture relating to defeasance and discharge of indebtedness, or defeasance of restrictive covenants in the Indenture, applied to the debt securities of any series, or to any

specified part of a series. The prospectus supplement used in connection with the offering of any debt securities will state whether we have made these elections for that series.

Defeasance and Discharge. We will be discharged from all of our obligations with respect to the debt securities of a series if we deposit with the trustee money in an amount sufficient to pay the principal, premium, and interest on the debt securities of that series when due in accordance with the terms of the Indenture and the debt securities. We can also deposit securities that will provide the necessary monies. However, we will not be discharged from the obligations to exchange or register the transfer of debt securities, to replace stolen, lost, or mutilated debt securities, to maintain paying agencies, and to hold monies for payment in trust. The defeasance or discharge may occur only if we satisfy certain requirements, including that we deliver to the trustee an opinion of counsel stating that we have received from, or there has been published by, the United States Internal Revenue Service a ruling, or there has been a change in tax law, in either case to the effect that holders of such debt securities:

will not recognize gain or loss for federal income tax purposes as a result of the deposit, defeasance, and discharge; and

will be subject to federal income tax on the same amount, in the same manner, and at the same times as would have been the case if the deposit, defeasance, and discharge were not to occur.

Defeasance of Covenants. We may elect to omit compliance with restrictive covenants in the Indenture and any additional covenants that may be described in the applicable prospectus supplement for a series of debt securities. This election will preclude some actions from being considered defaults under the Indenture for the applicable series. In order to exercise this option, we will be required to deposit, in trust for the benefit of the holders of debt securities, funds in an amount sufficient to pay the principal, premium and interest on the debt securities of the applicable series. We may also deposit securities that will provide the necessary monies. We will also be required to satisfy certain requirements, including that we deliver to the trustee an opinion of counsel to the effect that holders of the debt securities will not recognize gain or loss for federal income tax purposes as a result of such deposit and defeasance of certain obligations and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if the deposit and defeasance were not to occur. If we exercise this option with respect to any debt securities and the debt securities are declared due and payable because of the occurrence of any event of default, the amount of funds deposited in trust would be sufficient to pay amounts due on the debt securities on any acceleration resulting from an event of default. In that case, we would remain liable for the additional payments.

Governing Law

The law of the State of New York will govern the Indenture and the debt securities.

Global Securities

Some or all of the debt securities of any series may be represented, in whole or in part, by one or more global securities, which will have an aggregate principal amount equal to that of the debt securities they

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represent. We will register each global security in the name of a depositary or nominee identified in a prospectus supplement and deposit the global security with the depositary or nominee. Each global security will bear a legend regarding the restrictions on exchanges and registration of transfer referred to below and other matters specified in a supplemental indenture to the Indenture.

No global security may be exchanged for debt securities registered, and no transfer of a global security may be registered, in the name of any person other than the depositary for the global security or any nominee of the depositary, unless:

the depositary has notified us that it is unwilling or unable to continue as depositary for the global security or has ceased to be a clearing agency registered under the Exchange Act;

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an event of default has occurred and is continuing with respect to the debt securities represented by the global security; or

any other circumstances exist that may be described in the applicable supplemental indenture and prospectus supplement.

We will register all securities issued in exchange for a global security or any portion of a global security in the names specified by the depositary.

As long as the depositary or its nominee is the registered holder of a global security, the depositary or nominee will be considered the sole owner and holder of the global security and the debt securities that it represents. Except in the limited circumstances referred to above, owners of beneficial interests in a global security will not:

be entitled to have the global security or debt securities registered in their names;

receive or be entitled to receive physical delivery of certificated debt securities in exchange for a global security; and

be considered to be the owners or holders of the global security or any debt securities for any purpose under the Indenture.

We will make all payments of principal, premium, and interest on a global security to the depositary or its nominee. The laws of some jurisdictions require that purchasers of securities take physical delivery of securities in definitive form. These laws make it difficult to transfer beneficial interests in a global security.

Ownership of beneficial interests in a global security will be limited to institutions that have accounts with the depositary or its nominee, referred to as Participants, and to persons that may hold beneficial interests through Participants. In connection with the issuance of any global security, the depositary will credit, on its book-entry registration and transfer system, the respective principal amounts of debt securities represented by the global security to the accounts of its Participants. Ownership of beneficial interests in a global security will only be shown on records maintained by the depositary or the Participant. Likewise, the transfer of ownership interests will be effected only through the same records. Payments, transfers, exchanges, and other matters relating to beneficial interests in a global security may be subject to various policies and procedures adopted by the depositary from time to time. Neither we, the trustee, nor any of our agents will have responsibility or liability for any aspect of the depositary's or any Participant's records relating to, or for payments made on account of, beneficial interests in a global security, or for maintaining, supervising, or reviewing any records relating to the beneficial interests.

Regarding the Trustee

The Bank of New York Mellon Trust Company, N.A., successor to JPMorgan Chase Bank, N.A. (formerly known as The Chase Manhattan Bank), is the trustee under the Indenture relating to the senior debt securities. It or its affiliate, The Bank of New York Mellon, is also the trustee under certain indentures covering securities issued by us, our affiliates or on our or their behalf. We and our affiliates maintain normal commercial and banking relationships with The Bank of New York Mellon Trust Company, N.A. and/or its affiliates. In the future, The Bank of New York Mellon Trust Company, N.A. and/or its affiliates may provide banking, investment and other services to us and our affiliates.

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EXPERTS

The consolidated financial statements of Pinnacle West Capital Corporation and the related financial statement schedules, incorporated in this prospectus by reference from Pinnacle West Capital Corporation's Annual Report on Form 10-K, and the effectiveness of Pinnacle West Capital Corporation's internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. Such consolidated

financial statements and financial statement schedules have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of Arizona Public Service Company and the related financial statement schedule, incorporated in this prospectus by reference from Arizona Public Service

Company's Annual Report on Form 10-K, and the effectiveness of Arizona Public Service Company's internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. Such consolidated financial statements and financial statement schedule have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

LEGAL OPINIONS

The validity of the offered securities will be passed upon for Pinnacle West and APS by Jeffrey B. Guldner, Executive Vice President, Public Policy and General Counsel of Pinnacle West and APS. Mr. Guldner is regularly employed by Pinnacle West and APS, participates in various Pinnacle West employee benefit plans under which he may receive shares of common stock and currently beneficially owns less than one percent of the outstanding shares of common stock of Pinnacle West. We currently anticipate that Pillsbury Winthrop Shaw Pittman LLP, 1540 Broadway, New York, New York 10036, will pass on certain legal matters with respect to the offered securities for any underwriters. Jeffrey B. Guldner may rely as to all matters of New York law upon the opinion of Pillsbury Winthrop Shaw Pittman LLP.

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Joint Book-Running Managers

BofA Securities J.P. Morgan Mizuho Securities US Bancorp

RBC Capital Markets Scotiabank

Co-Managers

Academy Securities C.L. King & Associates

September 8, 2020

ARIZONA PUBLIC SERVICE COMPANY DOCKET NO. E-01345A-19-0236

OF
JOHN CASSIDY, CRRA

ON BEHALF OF THE RESIDENTIAL UTILITY CONSUMER OFFICE

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EXECUTIVE SUMMARY

RUCO recommends that the Commission adopt a 6.62 percent overall rate of return for Arizona Public Service Company ("APS," or "Company"), based upon (i) a capital structure comprised of 45.33 percent long-term debt and 54.67 percent common equity, (ii) the Company's proposed 4.10 percent cost of long-term debt, and (iii) RUCO's recommended 8.70 percent cost of common equity, as shown below:

Long-Term Debt Common Equity	Weight 45.33 % 54.67 %	<u>Cost</u> 4.10 % 8.71 %	Weighted Cost 1.86 % <u>4.76 %</u>
Overall Rate of Return			6.62 %

RUCO obtained common equity cost estimates for a proxy group of twelve sample companies employing three cost of equity estimation models: the Constant Growth Discounted Cash Flow Model ("DCF"), the Capital Asset Pricing Model ("CAPM"), and the Comparable Earnings Model ("CE"). The range of estimates obtained from each of the three models employed by RUCO are as follows:

Cost of Equity Estimation Model	Range
Discounted Cash Flow ("DCF")	8.00% - 9.26% (8.63% mid-point)
Capital Asset Pricing Model ("CAPM")	7.70% - 7.80% (7.75% mid-point)
Comparable Earnings ("CE")	9.50% - 10.0% (9.75% mid-point)

RUCO's 8.70 percent recommended cost of equity represents a weighted cost rate obtained by assigning a 40.00 percent weight to estimates obtained from the DCF and CE models, and a 20.00 percent weight to estimates obtained from the CAPM, and reflects a downward 20.00 basis point adjustment from RUCO's 8.90 percent indicated weighted cost of common equity, as follows:

Discounted Cash Flow Capital Asset Pricing Model Comparable Earnings	Indicated Cost 8.63 % 7.75 % 9.75 %	W <u>eight Factor</u> 40.00 % 20.00 % 40.00 %	Weighted Cost 3.45% 1.55 % 3.90 %
Average Cost of Equity	<u>8.71 %</u>		
RUCO Indicated Weighted Cos	st of Common Equity		<u>8.90 %</u>
Less: RUCO Proposed Downw	ard Adjustment		<u>0.20 %</u>
RUCO Recommended Cost of	<u>8.70 %</u>		

RUCO's proposed downward 20 basis point adjustment to the cost of common equity is made in recognition of the Company's demonstrated poor customer service. Support for RUCO's proposed downward adjustment to the cost of equity, from 8.90 percent to 8.70 percent, is provided in surrebuttal testimony filed by RUCO Director, Mr. Jordy Fuentes.

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I will also demonstrate that the Company's reduced 10.00 percent proposed cost of equity continues to significantly overstate APS' actual cost of equity for the following reasons:

- Ms. Bulkley employs the results of a Bond Yield Plus Risk Premium method to corroborate the reasonableness of her DCF and CAPM results, and to inform her ultimate ROE recommendation. However, Ms. Bulkley overstates the equity risk premium component obtained in her analysis by improperly employing yields on the 30-year long-term Treasury bonds rather than Moody's Baa-rated corporate utility bonds in her analysis.
- Ms. Bulkley also employs the results of an Expected Earnings analysis to corroborate the reasonableness of her DCF and CAPM results, and inform her ultimate ROE recommendation. However, FERC has determined that rates established based upon estimates obtained from the Expected Earnings model are unjust and unreasonable.
- The results obtained from Ms. Bulkley's Constant Growth DCF analysis are overstated through exclusive use of analysts' forecasts of EPS growth to estimate the dividend growth rate.
 - The results obtained from Ms. Bulkley's CAPM analyses are overstated through use of inflated estimates of the risk-free rate based on Blue Chip forecasts of 30-year Treasury yields.

INTRODUCTION

- Q. Please state your name, occupation, and business address.
- A. My name is John A. Cassidy. I am a Public Utilities Analyst V with the Residential Utility Consumers Office ("RUCO"). My business address is 1110 W. Washington Street, Suite 220, Phoenix, AZ.

- Q. Are you the same John A. Cassidy who previously filed direct cost of capital testimony on behalf of RUCO in this proceeding
- A. Yes, I am.

- Q. Please state the purpose of your testimony.
- A. The purpose of my Surrebuttal Testimony is to present RUCO's updated cost of capital recommendations for the establishment of a fair value rate of return for Arizona Public Service Company ("APS" or "Company"). Additionally, I will respond to the Rebuttal Testimony filed by the Company's cost of capital witness, Ms. Ann E. Bulkley, and demonstrate that the 10.00 percent return on equity ("ROE") now proposed by APS continues to overstate the Company's actual cost of common equity.

SUMMARY OF TESTIMONY AND RECOMMENDATIONS

- Q. Briefly summarize RUCO's updated cost of capital recommendations.
- A. Based on the results of my updated cost of capital analysis, RUCO recommends that the Commission adopt a 6.62 percent overall rate of return for the Company, based upon (i) a capital structure comprised of 45.33 percent long-term debt and 54.67 percent common equity, (ii) the Company's proposed 4.10 percent cost of

1 2 long-term debt, and (iii) RUCO's recommended 8.70 percent cost of equity, as shown below:1

	Weight	Cost	Weighted Cost
Long-Term Debt	45.33 %	4.10 %	1.86 %
Common Equity	54.67 %	8.71 %	<u>4.76 %</u>
Overall Rate of Return			<u>6.62 %</u>

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RUCO obtained common equity cost estimates for a proxy group of twelve (12) publicly-traded electric utility companies employing three cost of equity estimation models: the Constant Growth DCF model, the CAPM, and the CE Model. The range of estimates obtained from each model employed by RUCO are as follows:

Cost of Equity Estimation Model	Range
Discounted Cash Flow ("DCF")	8.00% - 9.26% (8.63% mid-point)
Capital Asset Pricing Model ("CAPM")	7.70% - 7.80% (7.75% mid-point)
Comparable Earnings ("CE")	9.50%-10.00% (9.75% mid-point)

The computation of RUCO's recommended 8.70 percent common equity cost rate for APS is presented below:

	Cost Rate	Weight	Cost
Discounted Cash Flow (DCF)	8.63 %	40.00 %	3.45 %
Capital Asset Pricing Model (CAPM)	7.75 %	20.00 %	1.55 %
Comparable Earnings (CE)	<u>9.75 %</u>	40.00 %	<u>3.90 %</u>
Average Cost of Common Equity	<u>8.71 %</u>		
RUCO Indicated Weighted Cost of Common Equity			8.90 %

Less: RUCO Proposed Downward Adjustment <u>0.20</u> %

RUCO Recommended Cost of Common Equity 8.71 %

Less: RUCO Proposed Downward Adjustment 0.20 %

RUCO Recommended Cost of Common Equity 8.70 %

¹ See JAC Schedule 1

As shown, RUCO's 8.70 percent recommended cost of equity represents a weighted cost rate obtained by assigning a 40.00 percent weight to estimates obtained from the DCF and CE models, and a 20.00 percent weight to estimates obtained from the CAPM, and reflects a downward 20 basis point adjustment from RUCO's 8.90 percent indicated weighted cost of common equity. proposed downward 20 basis point adjustment is made in recognition of the Company's demonstrated poor customer service. Support for RUCO's proposed 20 basis point downward adjustment to the cost of equity, from 8.90 percent to 8.70 percent, is provided in surrebuttal testimony filed by RUCO Director, Mr. Jordy Fuentes.

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RUCO RESPONSE TO COMPANY'S COST OF CAPITAL WITNESS, MS. ANNE E. BULKLEY

15 16 17 As a preliminary matter, in rebuttal testimony² Ms. Bulkley points out that no mention was made in RUCO's direct testimony as to the rationale for assigning a 40.00 percent weight to the results obtained from Mr. Cassidy's Constant Growth DCF and Comparable Earnings analyses, and a 20.00 percent weight to the results obtained from his CAPM analysis. What is your response to this issue?

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RUCO elected to assign a 20.00 percent weighting to the results obtained from the Α. CAPM for the following two reasons:

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 The impact of the global Coronavirus Pandemic on the U.S. economy is expected to keep interest rates low for an extended period of time, and for this reason RUCO elected to give direct recognition to estimates obtained from the CAPM in its recommended COE for the Company; and

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² Bulkley Rebuttal, p.52.

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2) The beta coefficients for RUCO's proxy group of electric utilities have recently risen.

- Q. In direct testimony, Ms. Bulkley employed a proxy group of fourteen (14) electric utility companies. In updating her analyses in rebuttal testimony does Ms. Bulkley employ the same proxy group of companies?
- A. No, she does not. For purposes of her updated cost of equity analyses, Ms. Bulkley excludes the following four companies: FirstEnergy (FE), PPL Corporation (PPL), DTE Energy Company (DTE), and Southern Company (SO)⁴ Thus, the updated results obtained by Ms. Bulkley in rebuttal testimony from the Constant Growth DCF, CAPM, and Expected Earnings Analysis are derived from a proxy group consisting of only ten (10) companies.
- Q. Briefly summarize Ms. Bulkley's updated cost of capital analyses and recommendations.
- A. In rebuttal testimony, the Company lowered its proposed cost of common equity to 10.00 percent, and its proposed Fair Value Increment ("FVI") cost rate to 0.80 percent.⁵ Ms. Bulkley asserts that because her updated range of results is 9.75 percent to 10.25 percent, the Company's proposed 10.00 percent ROE lies within this range.⁶ The results of Ms. Bulkley's updated cost of equity estimation analyses are summarized below:⁷

³ As discussed in my direct testimony, RUCO argued that inclusion of two of these companies, FirstEnergy (FE) and PPL Corporation (PPL), in Ms. Bulkley's proxy group was inappropriate. See Cassidy Direct, pp. 37-42.

For Ms. Bulkley's response, See Bulkley Rebuttal, p 55.

⁴ As noted in Rebuttal Testimony (p. 19, footnote 20), in updating her analysis Ms. Bulkley rescreened the proxy companies she employed in Direct Testimony, and found that FE, PPL, DTE, and SO no longer met her screening criteria. See also,

⁵ In direct testimony, Ms. Bulkley recommended adoption of a 10.15 percent cost of common equity, and a 1.00 percent FVI cost rate.

⁶ Bulkley Rebuttal, p.122, lines 11-13.

⁷ Bulkley Rebuttal, p. 19, Figure 3 - Summary of Updated Analytical Results.

Constant Growth DCF

	<u>Mean Low</u>	<u>Mean</u>	<u>Mean High</u>
30-Day Average Price	8.52 %	9.20 %	10.05 %
90-Day Average Price	8.41 %	9.08 %	9.94 %
180-Day Average Price	8.23 %	8.91 %	9.76 %
Projected Constant Growth DCF8	7.55 %	8.44 %	9.29 %

Capital Asset Pricing Model

	Current R _f Rate (1.42%)	Q4 '20 – Q4 '21 Projected R _f <u>Rate (1.64%)</u>		Mean <u>ROE</u>							
Market Return sourced from Bloomberg											
CAPM – Bloomberg Beta CAPM – Value Line Beta	11.23 % 11.93 %	11.27 % 11.96 %	11.52 % 12.13 %	11.34 % 12.01 %							
Market Return sourced from the	e S&P Earnings	and Estimates Rep	<u>ort</u>								
CAPM – Bloomberg Beta CAPM – Value Line Beta	11.74 % 12.47 %		12.03 % 12.67 %	11.85 % 12.55 %							
-	Bond Yield Pl	us Risk Premium									
Bond Yield Plus Risk Premium	9.29 %	9.38 %	9.96 %	9.54 %							
Expected Earnings Analysis											
Mean ROE Value Line 2023-2025 10.05 %											

As shown, the results obtained from Ms. Bulkley's updated Constant Growth DCF analyses range from 8.23 percent to 10.05 percent (mid-point 9.14 percent), while estimates obtained from her Projected Constant Growth DCF analysis range from 7.55 percent to 9.29 percent (mid-point 8.42 percent).

⁸ The results of Ms. Bulkley's updated Projected Constant Growth DCF analysis are presented in Attachment AEB-2RB (Page 1 of 1).`

⁹ Ms. Bulkley excludes DCF results obtained below 7.00 percent on grounds that such returns fail to provide equity investors a sufficient risk premium above the long-term debt cost.

Ms. Bulkley's updated CAPM analysis incorporates estimates sourced from both (i) Bloomberg, ¹⁰ and (ii) the S&P Earnings and Estimate Report. ¹¹ The inputs employed by Ms. Bulkley in her updated CAPM analyses include the following:

- Sample average Beta coefficients for her proxy companies obtained from Bloomberg (0.817) and Value Line (0.875);¹²
- Three measures of the risk-free (R_f) rate based on the 30-year Treasury bond yield:
 - (i) a 1.42 percent current 30-day average yield,
 - (ii) a 1.64 percent Blue Chip forecasted rate covering the period, Q4 2020 Q4 2021, and
 - (iii) a 3.00 percent Blue Chip 5-year projected yield covering the period, 2022 2026.
- Three measures of the Implied Market Risk Premium (MRP): 13
 - (i) 12.63 percent (to accompany the 1.42 percent current yield),
 - (ii) 12.41 percent (to accompany the 1.64 percent forecasted yield), and
 - (iii) 11.05 percent (to accompany the 3.00 percent forecasted yield)

As shown, CAPM estimates from Bloomberg sources range from 11.23 percent to 12.13 percent (mid-point 11.68 percent), while CAPM estimates from S&P Earnings and Estimates Report range from 11.74 percent to 12.67 percent (mid-point 12.21 percent).

Bulkley Model Constant Growth DCF	<u>Range</u> 8.23 % 10.05 %	Mid-Point 9.14 %
Projected Constant Growth DCF CAPM – Bloomberg Sourced CAPM – S&P Earnings Sourced	7.55 % 9.29 % 11.23 % 12.13 % 11.74 % 12.67 %	8.42 % 11.68 % 12.21 %
Bulkley Direct – CAPM Results ¹⁴	9.54 % 10.42 %	9.98 %

¹⁰ Bulkley Rebuttal, Attachment AEB-5RB (Page 1 of 1).

¹¹ Bulkley Rebuttal, Attachment AEB-5.5RB (Page 1 of 1). In direct testimony, Ms. Bulkley obtained CAPM estimates sourced only from the S&P Earnings and Estimate Report.

¹² Bulkley Rebuttal, Attachment AEB-3RB (Page 1 of 1).

¹³ Bulkley Rebuttal, Attachment AEB-4.5RB (Page 1 of 1).

¹⁴ Bulkley Direct, Attachment AEB-6DR (Page 1 of 1).

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For purposes of comparison, the results obtained from Ms. Bulkley's CAPM analyses in Direct Testimony are also presented above.

Ms. Bulkley's Constant Growth DCF Analysis

- Q. As shown, Ms. Bulkley's updated Constant Growth DCF results fall within the range, 8.23 percent to 10.05 percent. Does RUCO believe Ms. Bulkley's updated Constant Growth DCF results provide support for the Company's proposed 10.00 percent cost of common equity?
- A. No. For the reasons noted in my direct testimony, ¹⁵ Ms. Bulkley's exclusive reliance on analysts' forecasts of earnings per share growth to estimate the dividend growth (g) rate overstates the cost of equity in her Constant Growth DCF analyses. Thus, while the Company's proposed 10.00 percent equity cost rate falls within Ms. Bulkley's updated Constant Growth DCF range, the range is itself overstated, and thus fails to provide support for the Company's proposed equity cost rate.
- Q. In rebuttal testimony, Ms. Bulkley states that "interest rates in recent years have been at low levels as a result of Federal Reserve monetary policy..." Does RUCO agree with Ms. Bulkley that the low interest rate environment which has prevailed since the Great Recession of 2008-09 is exclusively attributable to the Federal Reserve's monetary policy?
- A. No, RUCO does not agree with Ms. Bulkley on this point. For the reasons noted in my direct testimony, ¹⁷ the equilibrium real interest rate (i.e., r-star) is driven by fundamental factors in the economy, and not affected by monetary policy. In a

¹⁵ Cassidy Direct, p. 64, lines 16-27.

¹⁶ Bulkley Direct, p. 5, lines 1-2.

¹⁷ Cassidy Direct, pp. 62-63.

recent speech, Federal Reserve Chairman Powell made the following observation concerning the general level of interest rates here in the U.S. and globally:¹⁸

"[T]he general level of interest rates has fallen both here in the United States and around the world. Estimates of the neutral federal funds rate, which is the rate consistent with the economy operating at full strength and with stable inflation, have fallen substantially, in large part reflecting a fall in the equilibrium real interest rate, or "r-star." This rate is not affected by monetary policy but instead is driven by fundamental factors in the economy, including demographics and productivity growth—the same factors that drive potential economic growth." (emphasis added).

Ms. Bulkley's CAPM Analysis

- Q. Does RUCO believe the results obtained from Ms. Bulkley's updated CAPM analyses provide support for the Company's proposed 10.00 percent cost of equity?
- A. No. For the reasons noted in my direct testimony, ¹⁹ the risk-free (R_f) rate component in Ms. Bulkley's CAPM analyses is significantly overstated, as she employs *Blue Chip* forecasts of the 30-year Treasury yield as a proxy for the risk-free rate. The proper Treasury rate to be used in a CAPM analysis is the current yield borne by investors in the marketplace, as it is known and measurable, and thus, not speculative. Additionally, the Market Risk Premium (MRP) component in Ms. Bulkley's updated CAPM analyses is significantly overstated.

New Economic Challenges and the Fed's Monetary Policy Review, a Speech by Mr. Jerome H. Powell, Chair, Board of Governors of the Federal Reserve System at "Navigating the Decade Ahead: Implications for Monetary Policy," an economic policy symposium sponsored by the Federal Reserve Bank of Kansas City, delivered at Jackson Hole, Wyoming (August 27, 2020). https://www.federalreserve.gov/newsevents/speech/powell20200827a.htm

¹⁹ Cassidy Direct, pp. 47-48, lines 15:27.

Q. On what grounds does Ms. Bulkley justify a sharp increase to the MRP component in her updated CAPM analyses?

- A. Ms. Bulkley cites as justification the declining interest rate environment and volatile capital market conditions brought on by the COVID-19 pandemic. Specifically, she asserts the recent decline in Treasury bond yields is not representative of the longer term trend, with lower interest rates being "directly attributable to the COVID-19 pandenic." As evidence of significant market volatility in 2020, Ms. Bulkley points out that the Chicago Board Options Exchange ("CBOE") Volatility Index ("VIX") reached a high of 82.69 on March 16, 2020, a level exceeding that during the Great Recession of 2008/09.
- Q. As noted above, Ms. Bulkley justifies the sharp increase to the MRP component in her CAPM, in part, to 'the declining interest rate environment' brought on by the COVID-19 pandemic. Mr. Cassidy, were interest rates in decline prior to the onset of the pandemic?
- A. Yes, they were. As shown in Exhibit JAC-A, as filed in my direct testimony in this docket, intermediate- and long-term Treasury rates began to decline in December, 2018, long before the deadly Coronavirus reached the United States in late-February of 2020.

²⁰ Bulkley Rebuttal, p. 20, lines 22-23.

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Q. Thank you. Given the low interest rate environment and heightened levels of market volatility described above, what conclusions does Ms. Bulkley reach concerning valuations of utilities and their effect on the cost of equity for APS in this proceeding?

A. Ms. Bulkley concludes that "the DCF model...likely underestimates investors' required returns," for despite the market sell-off "current utility valuations are still well above the long-term average...result[ing] in low dividend yields for utilities." (Emphasis added) To offset this shortcoming associated with estimates obtained from the DCF model, Ms. Bulkley states as follows:

"Alternatively, my CAPM analysis includes estimates based on near-term and longer-term projected interest rates, considers Beta coefficients that reflect the fact that analysts expect utilities to trade similar to the market over the near-term, and relies on a forward-looking estimate of the market return."²¹

- Q. As shown in Attachment AEB-4.5RB, Ms. Bulkley employs a forward-looking 14.05 percent estimated Required Market Return on the S&P 500 to compute the MRP component in her CAPM analyses. Does RUCO believe Ms. Bulkley's use of a 14.05 percent Required Market Return in her CAPM analysis to be reasonable / appropriate?
- A. No, in my judgment it is highly unlikely that a total return of that magnitude is achievable on the S&P 500 over the next few years, and for that reason it is both unreasonable and inappropriate, and overstates the MRP component in Ms. Bulkley's CAPM analyses.

²¹ Bulkley Rebuttal, pp. 32-33, lines 19:1.

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20 21 Q. Does RUCO agree with Ms. Bulkley that cost of equity estimates obtained from the Constant Growth DCF model "likely underestimates investors' required returns?"

- A. No. As noted in my direct testimony, the DCF model is "the only model which intrinsically takes into consideration the price investors are willing to pay for a given unit of return."²² Thus, an election by investors to bid up the share price by purchasing shares of a utility, and in so doing lower the dividend yield on that investment, should be viewed for what it is; namely, evidence that the cost of equity capital has fallen, with investors having to pay more for a given unit of return.
- Q. In rebuttal testimony,²³ Ms. Bulkley states that while yields on government and corporate bonds are currently near historical lows, they are projected to increase over the period during which APS's rates are expected to be in effect. Do you agree with Ms. Bulkley on this point?
- A. Let me respond by saying that Federal Reserve Chairman Powell recently provided guidance to the investment community by saying that short-term interest rates will remain near zero at least through 2023. Thus, in my judgment there is no reason to believe interest rates will be on the rise anytime soon.²⁴

²² Cassidy Direct, p. 42, lines 5-6.

²³ Bulkley Rebuttal, p. 10, lines 13-15.

²⁴ Smialek, Jeanna, "Fed Pledges Low Rates for Years, and Until Inflation Picks Up," nytimes.com (September 16, 2020). https://www.nytimes.com/2020/09/16/business/economy/federal-reserve-interest-rates.html

Q. Mr. Cassidy, do you have reason to believe that corporate officials with Arizona Public Service Company or its parent, Pinnacle West, may likewise anticipate interest rates remaining low going forward?

A. Yes, I do, as the most recent Value Line quarterly update for Pinnacle West Corporation (dated October 23, 2020) projects its Long-Term Debt Ratio to rise from its current 47.1 percent level as of December 31, 2019 to 55.0 percent by December 31, 2024. As shown in Surrebuttal Exhibit JAC-A, Value Line projects Pinnacle West's Long-Term Debt to grow from \$4,833.9M in 2019 to \$8,428.8M in 2024, an increase of 74.37 percent.

Ms. Bulkley's Bond Yield Plus Risk Premium Approach

- Q. In direct testimony,²⁵ you presented evidence demonstrating that Ms. Bulkley's use of 30-year U.S. Treasury bond yields as the debt component in a Bond Yield Plus Risk Premium approach was improper. In updating her analysis, does Ms. Bulkley now employ yields on Moody's Baa rated utility bonds as the debt component in her Bond Yield Plus Risk Premium analysis?
- A. No, she does not. Ms. Bulkley continues to improperly employ yields on the 30-year Treasury bond as the debt component in her analysis. In doing so, she obtains inflated estimates from her Bond Yield Plus Risk Premium analysis, which renders them useless for their intended purpose; namely, "to corroborate the reasonableness of Ms. Bulkley's DCF and CAPM results and to inform her ultimate ROE recommendation, not as the primary basis for [her] recommendation."

²⁵ Cassidy Direct, pp. 66-69.

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Q. To your knowledge, is there another cost of capital witness testifying in this proceeding who has called attention to Ms. Bulkley's improper use of Treasury yields in a Bond Yield Plus Risk Premium analysis?

A. Yes, Mr. David Parcell, witness testifying on behalf of the Commission Staff (Parcell Direct, p. 41.)

CONCLUSION AND RECOMMENDATIONS

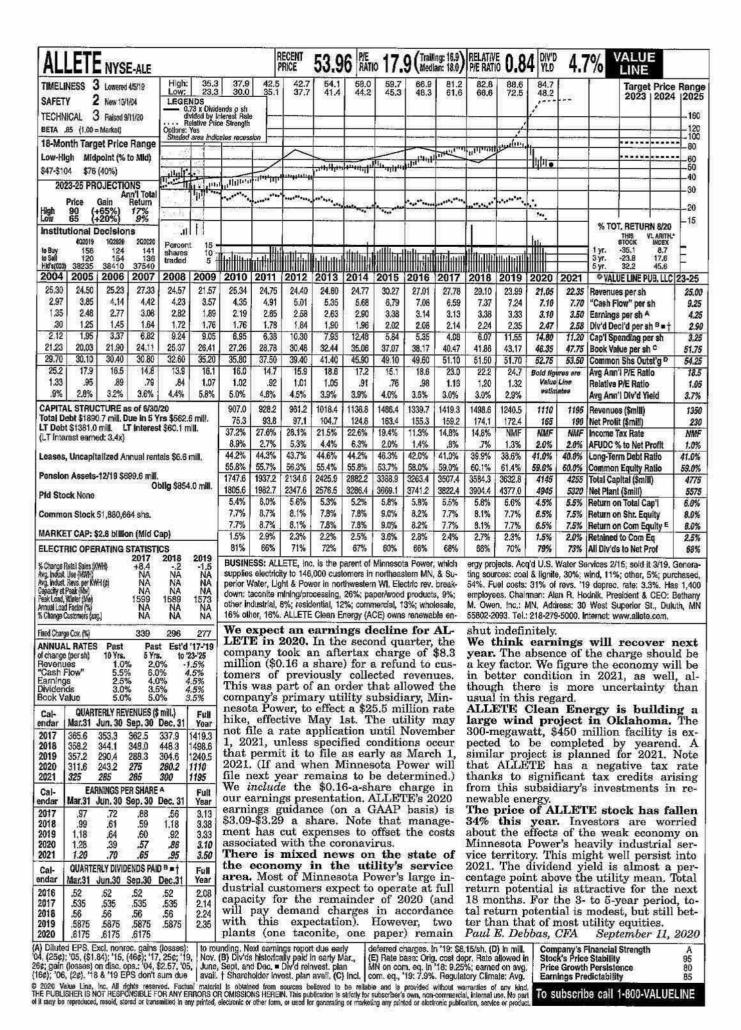
- Q. Please summarize RUCO's updated cost of capital recommendations in this proceeding.
- A. RUCO recommends that the Commission adopt the following:
 - A capital structure comprised of 45.33 percent long-term debt and
 54.67 percent common equity;
 - 2) A cost of debt of 4.10 percent;
 - 3) A cost of common equity of 8.70 percent;
 - 4) An overall rate of return of 6.62 percent;
 - 5) A fair value increment cost rate of 0.00 percent; and
 - 6) A fair value rate of return of 4.68 percent.

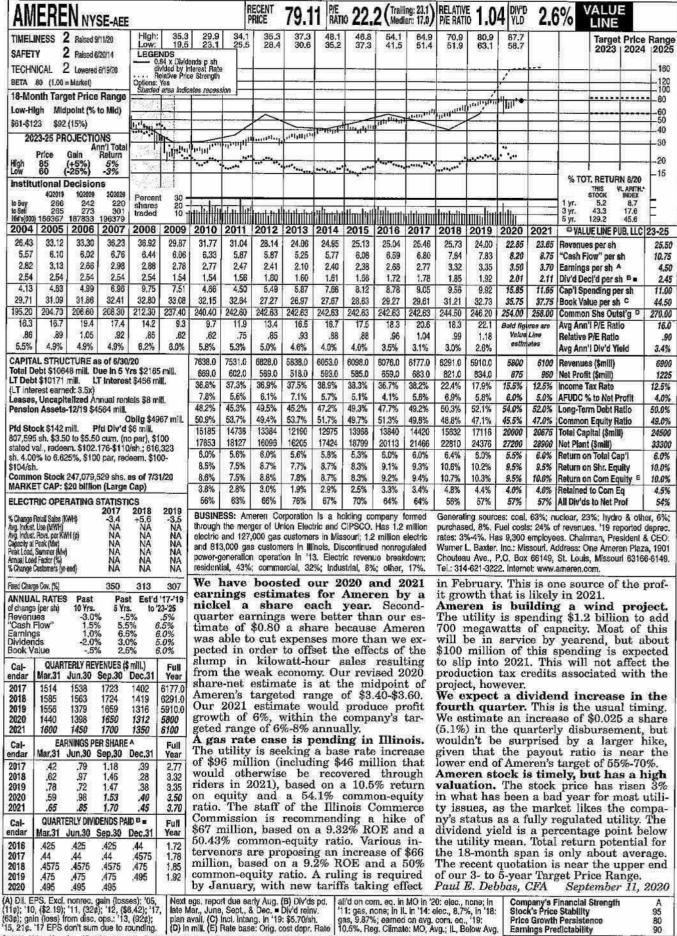
Q. Does this conclude your surrebuttal testimony?

A. Yes, it does. However, my silence on a given issue should not be interpreted to mean that I agree with the Company's witness, and reserve the right to address the issue at hearing.

ATTACHMENT NO. 1

VALUE LINE INVESTMENT SURVEY
ELECTRIC PROXY GROUP

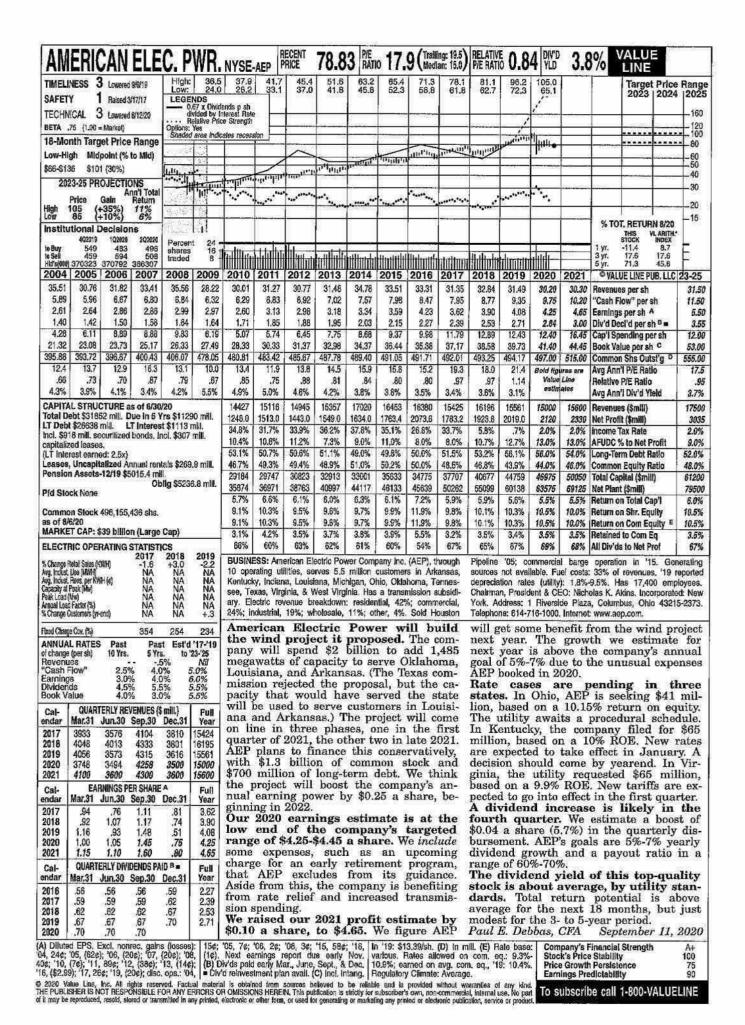


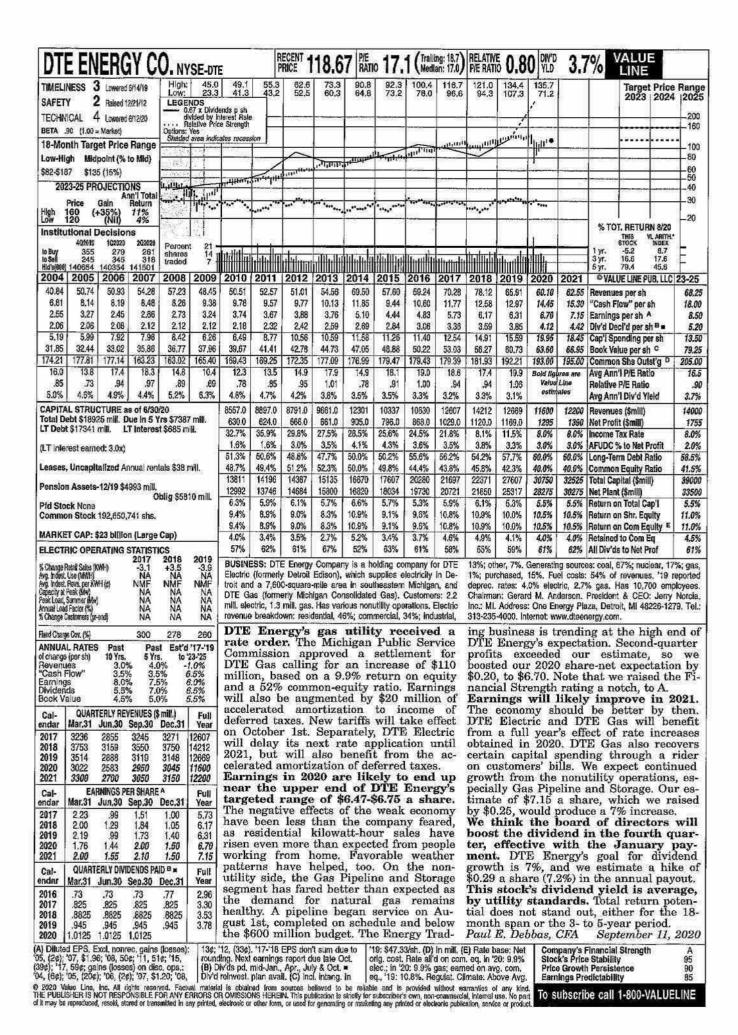


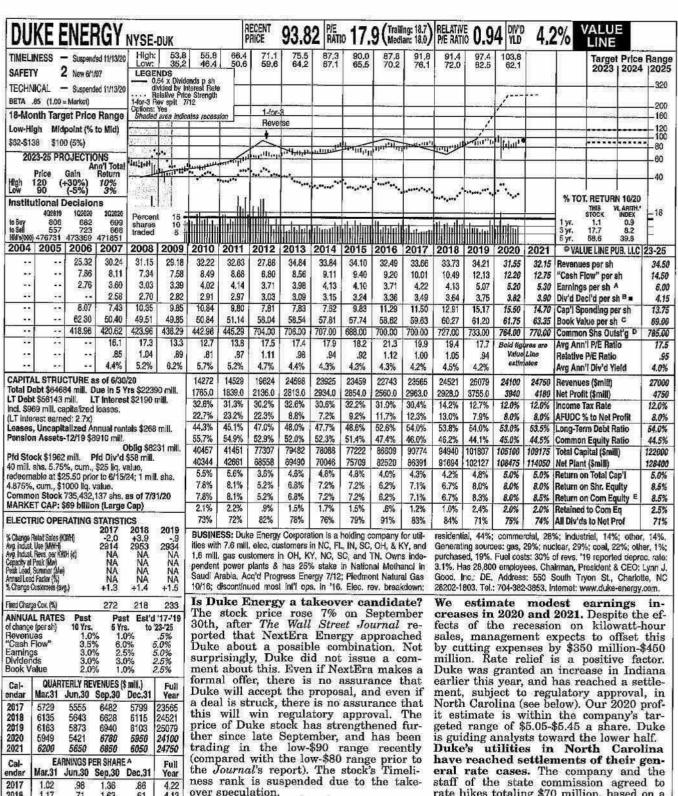
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Price Growth Persistence Earnings Predictability

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2018 1.17 .71 1.63 2019 1.24 1,12 1.82 .89 5.07 2020 1.24 1.08 1.88 1.00 5,20 2021 1.25 1.10 1.95 1.00 5.30 QUARTERLY DIVIDENDS PAID B . Cal-Full endar Mar.31 Jun.30 Sep.30 Dec.31 3,36 2016 825 825 855 .855 .855 2017 .855 .89 .89 3.49 .89 .9275 2018 .89 9275 3.64 3.75 2019 .9275 .9275 .945 .945

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The company took a huge nonrecurring charge for the second quarter. This was \$1.6 billion (\$2.21 a share) after taxes, and was for the write-off of Duke's interest in a pipeline project that was canceled due to delays and cost overruns stemming from litigation from environ-mental opponents. Duke expects to record additional charges of under \$100 million

within the next 12 months.

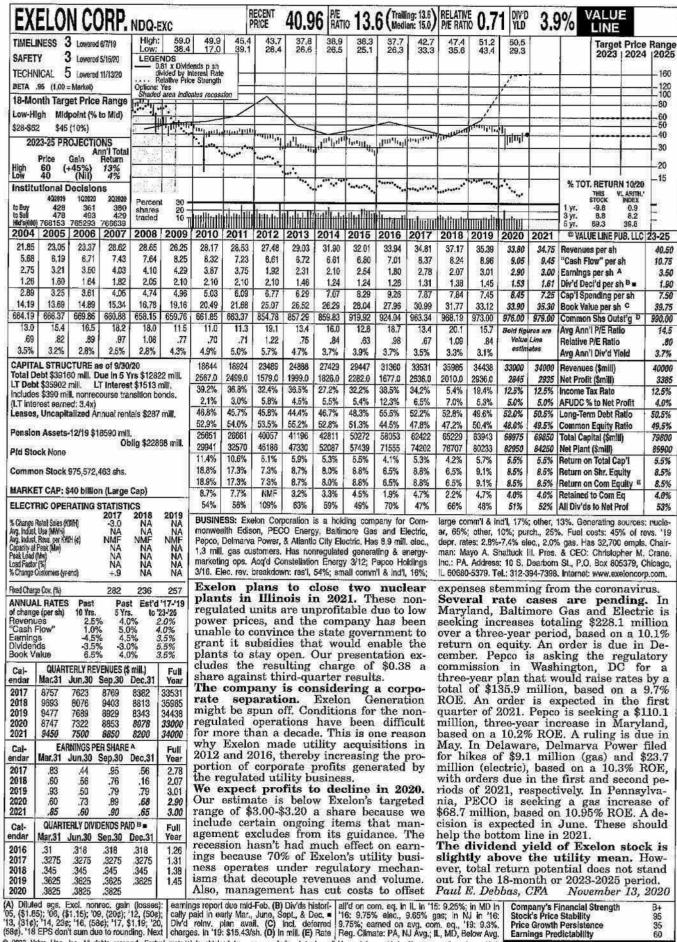
rate hikes totaling \$70 million, based on a return of 9.6% and a common equity ratio of 52%. Interim rates (subject to refund) took effect in the third quarter. When the North Carolina commission will rule on

the settlement is unknown. Duke stock has an above-average dividend yield for a utility. Prospects for the 18-month span are attractive, but 3- to 5-year total return potential is subpar. Paul E. Debbas, CFA November 13, 2020

(A) Dil. EPS Excl. nonrec. losses: '12, 70s; '13, 24¢; '14, 67¢; '17, 15¢; '18, 41¢; '20, \$2.21; losses an disc. ops.: '14, 80¢; '16, 60¢; '18 EPS don't sum due to rounding. Next egs.

report due mid-Feb. (B) Div'ds paid mid-Mar., June, Sept., & Dec. > Div'd reinv. plan avail. (C) Incl. intang. In '19: \$44.37/sh. (D) In mill., adj. for rev. split. (E) Rate base: Net orig. cost. Reg. Clim.: NC Avg.; SC, OH, IN Above Avg.

Company's Financial Strength Stock's Price Stability 90 Price Growth Persisten Earnings Predictability 40 90



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Company's Financial Strength Stock's Price Stability Price Growth Persistence **Earnings Predictability**

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stake (equivalent to 11.3 million shares) was Flow		OLL C	_									neces	sarily	high	er rat	es or	a lowe	er que	dit
Elliott Management, an activist investor group, took in January. Elliott pushed Everylogical spending aired at adding renewation of the company of the compa	change (per sh) 10 Yrs. 5 Yrs	to '23-'2	25									plan :	remai	ns to	be see	en.			
raings	ash Flow"	1.59 4.59	%									We r	aised	our	2020	and	202	1 sha	are
merger of the company, or an increase in capital spending aimed at adding renewable generation. Evergy chose the latter option. The company increased its five-year capital budget by \$1.4 billion, to \$8.9 billion. This will boost annual rate-base growth to 5%-6% from 3%-4% previously, which is lower than that of most utilities. EARNINGS PER SHARE A to that increased capital spending, and much-greater rate-base growth, is bad. The problem is that the market was hoping for a takeover. The stock price has declined 15% since August and the problem is that the market was hoping for a takeover. The stock price has declined 15% since August and the problem is that the market was hoping for a takeover. The stock price has declined 15% since August and project healthy dividend growth is lower than that of the problem is that the market was hoping for a takeover. The stock price has declined 15% since August and project healthy dividend growth has a spending armed at adding renewable to favorable weather patterns. Our review estimate by \$0.10 a share, due in fapital spending aimed at adding renewable to favorable weather patterns. Our review estimate of \$2.75 a share is within E gry's targeted range of \$2.66-\$2.96 a share is within E gry's targeted range of \$2.66-\$2.96 a share is within E gry's targeted range of \$2.66-\$2.96 a share is within E gry's targeted range of \$2.66-\$2.96 a share is within E gry's targeted range of \$2.66-\$2.96 a share is within E gry's targeted range of \$2.66-\$2.96 a share is within E gry's targeted range of \$2.66-\$2.96 a share is within E gry's targeted range of \$2.66-\$2.96 a share is within E gry's targeted range of \$2.66-\$2.96 a share is within E gry's targeted range of \$2.66-\$2.96 a share is within E gry's targeted range of \$2.66-\$2.96 a share is within E gry's targeted range of \$2.66-\$2.96 a share is within E gry's targeted range of \$2.66-\$2.96 a share is within E gry's targeted range of \$2.66-\$2.96 a share is within E gry's targeted range of \$2.66-\$2.96 a share is within E gry's targeted ran	rnings	4.59	%									rasno	ings (estim	ates	by \$0	.10 ai	ad \$0	.15
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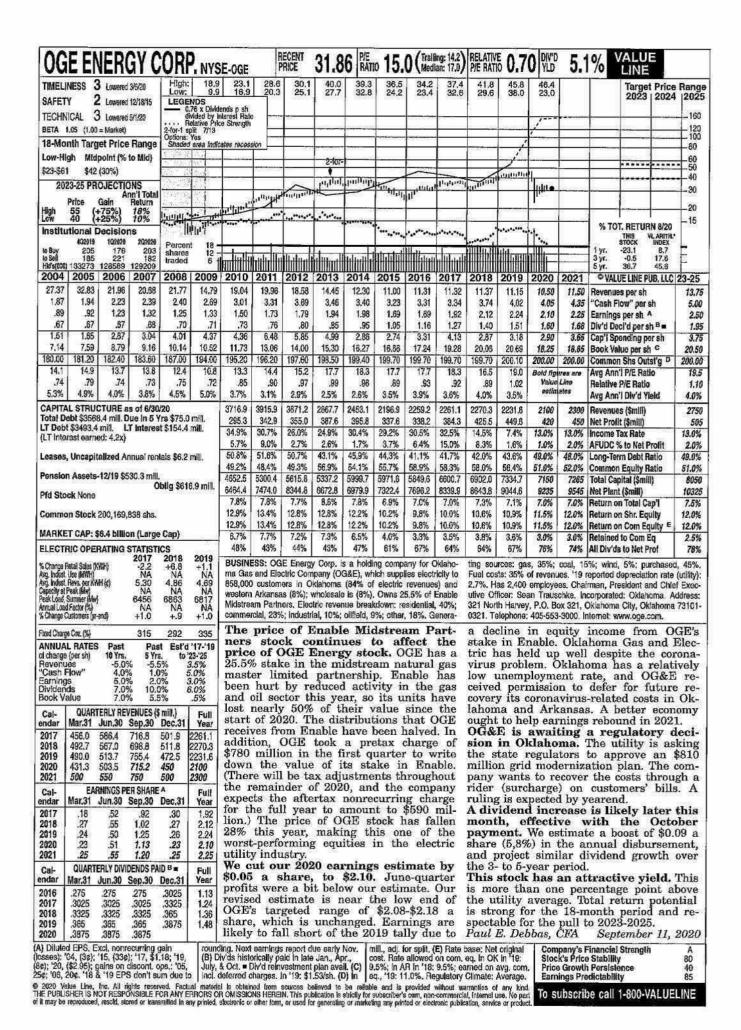
due early Nov. (B) Dividends paid in midMarch, June, September, and December.

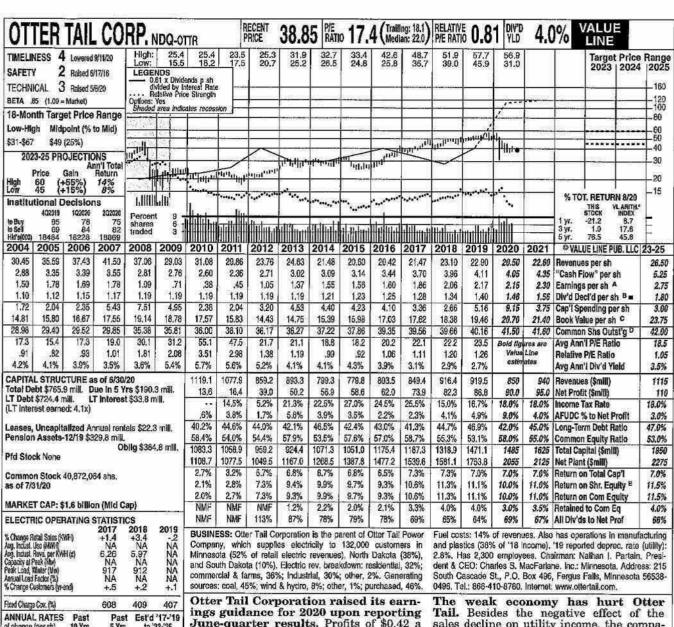
depreciated, Rate base: Original cost 19: 7.2%. Regulatory Climate: Average.

Price Growth Persistence Earnings Predictability

NMF

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Past to Yrs. of change (per sh) Revenues "Cash Flow" 5 Yrs. to '23-'25 -4.5% 2.5% 5.5% 1.5% -.5% 6.0% 9.0% 2.5% 4.5% 3.0% 5.0% 5.0% 5.0% 4.5% Earnings Dividends Book Value

Cal- endar	QUAR Mar.31		VENUES (Full Year	
2017	214.1	212.1	216.5	206.7	849.4	
2018	241.2	226,3	227.7	221,2	916,4	
2019	246.0	229.2	228.6	215.7	919.5	
2020	234.7	192.8	212.5	210	850	
2021	250	235	235	220	940	
Cal-			ER SHAR	The Commence of the	Full	
endar	Mar,31	Jun.30	Sep.30	Dec.31	Year	
2017	.49	.42	.45	,50	1.86	
2018	.66	.47	.58	.35	2.06	
2019	.66	.39	.62	.51	2,17	
2020	.60	.42	.63	.50	2.15	
2021	.68	.47	.65	.50	2,30	
Cal-	Cal- QUARTERLY DIVIDENDS PAID B =					
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year	
2016	.3125	.3125	.3125	.3125	1.25	
2017	.32	.32	.32	.32	1.28	
2018	.335	.335	.335	.335	1.34	
2019	.35	.35	.35	.35	1.40	
2020	.37	.37	.37			

June-quarter results. Profits of \$0.42 a share topped the year-ago tally and were above our estimate of \$0.35. The Plastics segment is faring better than expected. Market conditions suggest that volume and (possibly) pricing will improve in the second half of 2020. Management now estimates that this operation will generate a profit of \$0.50-\$0.54 this year, versus \$0.51 in 2019 and its previous expectation of just \$0.43-\$0.47. This is the primary reason why Otter Tail revised its targeted range for 2020 from \$2.00-\$2.25 a share to \$2.10-\$2.30 a share. (This is still below the company's original guidance of \$2.23-\$2.37, issued in February.) Another reason is the negative effect on earnings from declines in commercial and industrial kilowatt-hour sales at Otter Tail Power will probably be less than expected three months ago: \$0.04-\$0.06, versus \$0.06-\$0.10. We raised our 2020 and 2021 estimates by \$0.10 each year, to \$2.15 and \$2.30, respectively. The stock's reaction was positive, but modest. The share price is still down 24% for the year.

sales decline on utility income, the company's Manufacturing segment has been hit hard, as many customers closed facilities due to the coronavirus. A slowdown in sales of oil and gas fracking equipment is another factor. In response, the company has cut operating and maintenance costs in each division. Otter Tail Power has also asked the regulators in each state to allow the utility to defer for future recovery costs associated with the coronavirus. We expect a stronger economy in 2021, which

points to higher earnings next year.

Two significant projects are under construction. Otter Tail Power is building a 245-megawatt gas-fired plant at an expected cost of \$154 million and a 150mw wind farm at an expected cost of \$260 million. The projects should be completed in late 2020 or early 2021.

The dividend yield of this untimely stock is about equal to the utility average. The equity offers attractive total return potential for the 18-month span, but isn't as high for the 2023-2025 period. Paul E. Debbas, CFA September 11, 2020

(A) Dil. EPS. Excl. nonrec. gains (loss): '10, (44¢); '11, 26¢; '13, 2¢; gains (losses) from disc. ops.: '04, 8¢; '05, 33¢; '06, 1¢; '11, (\$1.11); '12, (\$1.22); '13, 2¢; '14, 2¢; '15, 2¢;

'16, 1¢; '17, 1¢. '19 EPS don't sum due to mdg. Next egs. rept. due early Nov. (B) Div'ds histor. pd. in early Mar., Jun., Sept., & Dec.
Div'd reinv. plan avail. (C) Incl. intang. In '19:

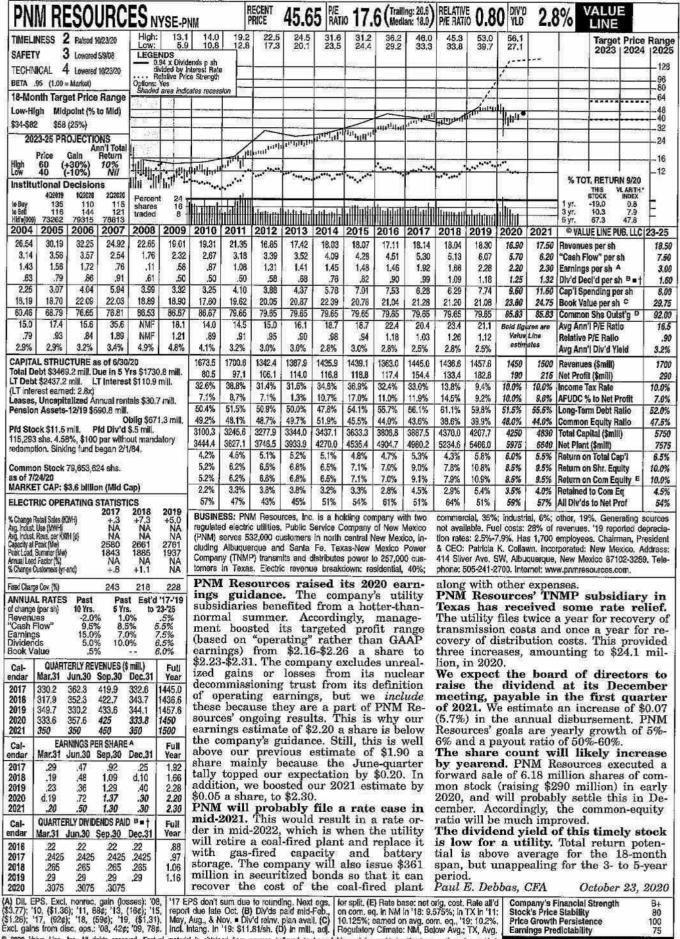
\$4.67/sh. (D) in mill. (E) Rate all'd on com. eq. in MN in '17: 9.41%; in ND in '18: 9,77%; in SD in '19: 8.75%; earn. avg. com. eq., '19: 11.6%. Reg. Clim.: MN, ND, Avg.; SD, Above Avg.

Company's Financial Strength Stock's Price Stability Price Growth Persistence Earnings Predictability

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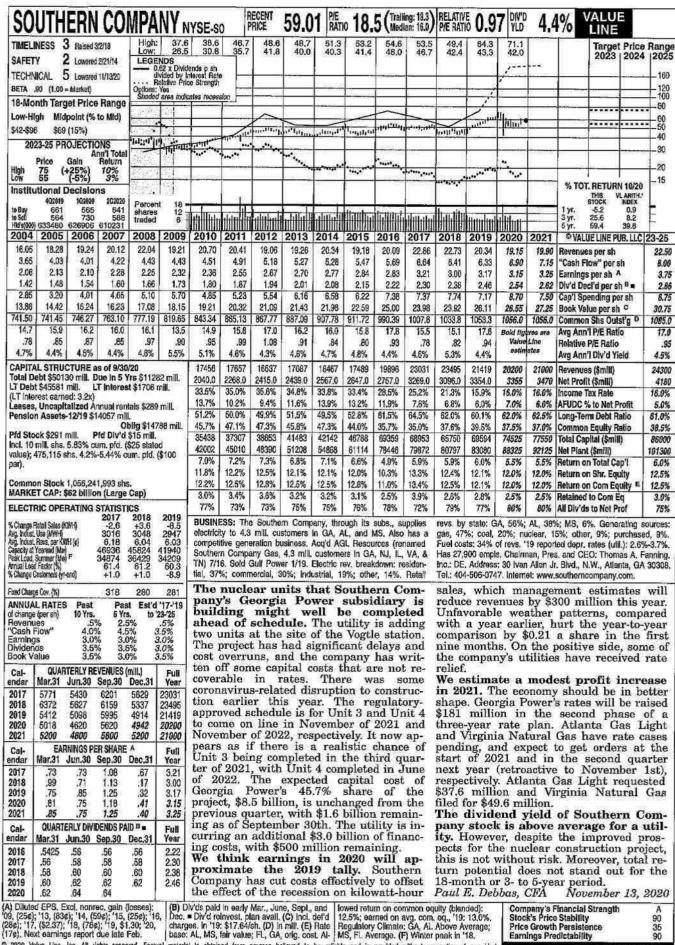
95

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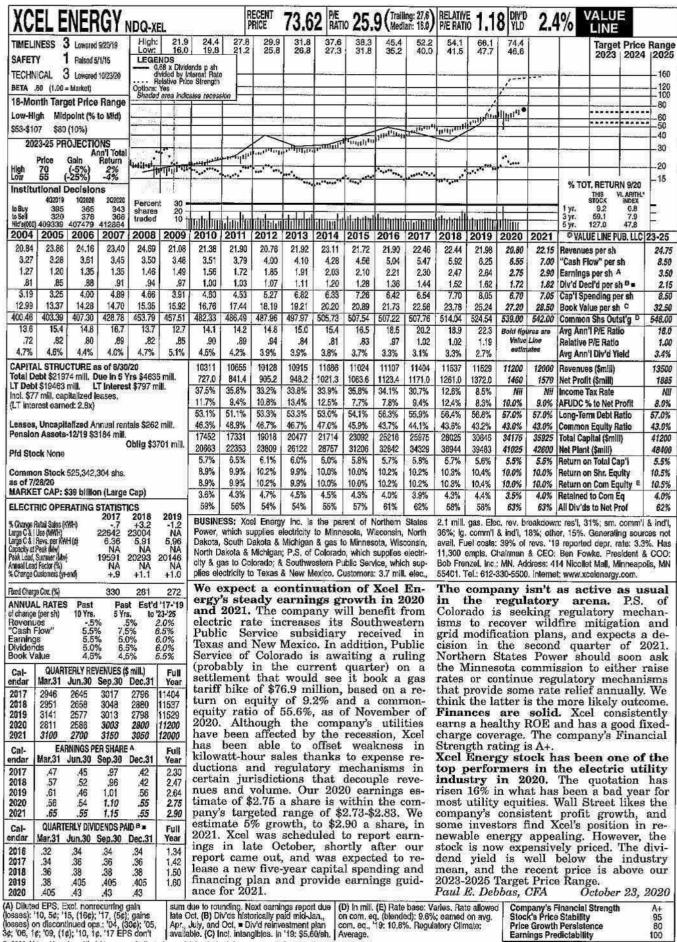
Company's Financial Strength Stock's Price Stability Price Growth Persistence 100 **Earnings Predictability**



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Company's Financial Strength Stock's Price Stability Price Growth Persistence 90 **Earnings Predictability**

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Company's Financial Strength Stock's Price Stability 95 Price Growth Persistence Earnings Predictability 80

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YAHOO ANALYST ESTIMATES

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ALLETE, Inc. (ALE)
NYSE - Nasdaq Real Time Price, Currency in USD

Acid to watchlist

8% Visitors trend 2W↑ 10W↑ 9M↑

Quote Lookup

58.20 -0.57 (-0.97%) As of 11:31AM EST. Market open.

As of 11:31AM EST. Marke	et open.								
Summary Compar	y Outlook 🛱 Chart	Conversations Sta	tistics Historical Data	Profile Financials	Analysis Options Holders Sustainabil				
Start Mileson Caratter at the		Next Qtr. (Mar 2021)		Currency in USD					
AAA NEELAANNAANA	nings Estimate Current Qtr. (Dec 2020)		Current Year (2020)	Next Year (2021)					
No. of Analysts	5	3	4	6					
Avg. Estimate	0.83	1.11	3.35	3.6					
Low Estimate	0.72	0.99	3.32	3.42					
High Estimate	0.86	1.32	3.4	3.81					
Year Ago EPS	0.96	0.96 1.28 3.59		3.35					
Revenue Estimate	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	D×				
No. of Analysts	2	1	4	4	Save 12.4%*				
Avg. Estimate	300.65M	321.9M	1.178	1.24B	more with our				
Low Estimate	296.3M	321.9M	1.15B	1.28	new, lower rates				
High Estimate	305M	321,9M	1.22B	1.27B	Get A Quote				
Year Ago Sales	304.6M	311.6M	1.248	1.17B					
Sales Growth (year/est)	-1.30%	3.30%	-5.60%	6.00%	*Auto sale red iction is an avarage by states and only by and indical				
Earnings History	12/30/2019	3/30/2020	6/29/2020	9/29/2020	yahoo/finance wealth				
EPS Est.	0.92	1.14	0.67	0.64	Trade like it's not your first rodeo				
EPS Actual	0.96	1.28	0.39	0.78					
Difference	0.04	0.14	-0.28	0.14					
Surprise %	4.30%	12.30%	-41.80%	21.90%	People Also Watch				
23					Symbol Last Price Change % Change				
EPS Trend	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	BKH 64.98 -0.10 -0.15% Black Hills Corporation				
Current Estimate	0.83	1.11	3.35	3.6	AVA 38.47 -0.67 -1.71% Avista Corporation				
7 Days Ago	0.84	1.08	3.33	3.59	IDA 93.79 -0.51 -0.55%				
30 Days Ago	0.84	1.08	3.33	3.59	LNT 55.47 -0.97 -1.72%				
60 Days Ago	0.84	1.09	3.33	3.59	Alliant Energy Corporation NWE 60.62 -0.27 -0.44%				
90 Days Ago	0.84	1.09	3.38	3.68	NorthWestern Corporation				
EPS Revisions	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	Recommendation Trends >				
Up Last 7 Days	N/A				6 6 6 6				
and at W	N/A	2	. s	E 2 XX	5 2 2				

Finance Home	2020 Election	Watchlists	My Portfolio	Screeners	Premium 🛍	Markets	News		7000		Premlum - Try it free		it free	
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Up Last 30 Days		N/A		2	1		2	2	Ž.	*		177	Und Sell	derperform
Down Last 7 Days		N/A	N,	/A	N/A		N/A		50					
Down Last 30 Days	5	1	N,	/A	N/A		N/A		Nov	Ost	Sep	Aug		
					Recor	ion Ra	on Rating >							
Growth Estimates		ALE	Indust	ry	Sector(s)	5&f	P 500	2.8						
Current Qtr.		-13.50%	N/	/A	N/A		N/A	1 Stron	12	2 Buy	H	3 lold	4 Under-	5 Sell
Next Qtr.		-13.30%	N/	/A	N/A		N/A	Buy		2			perform	
Current Year		-6.70%	N/	'Α	N/A		N/A	Analyst Price Targets (6) >						
Next Year		7.50%	N/	' Δ	N/A		N/A	Average 64.67						
		715070	· vy		IVA		NA	1427500422	52526	0				
Next 5 Years (per annum)		7.00%	N/	Ά	N/A		N/A	Low 55.00 High 88.00 Current 58.23					High 88.00	
Past 5 Years (per ennum)		1.25%	N/	'A	N/A		N/A	Upgra	Upgrades & Downgrades >					
							Maintains A		Mi	zuho: 1	o: to Neutral		8/26/2020	
								Main	ains		Morga derwe			6/1/2020
								Maintains Wells Fargo: to Equal- Weight			Equal-	5/7/2020		
								Upgra	de		zuho: l utral	Jnderp	erform to	3/3/2020

More Upgrades & Downgrades

Mizuho: Neutral to

Guggenheim: Neutral to

Buy

Downgrade Underperform

1/8/2020

2/11/2019



See full Prescribing Information, including Boxed Warnings, and Medication Guide.

Upgrade

VRAYLAR effectively treats bipolar depression and short-term manic or mixed spisodes linst happen with bipolar I disorder in adults. IMPORTANT RISK INFORMATION
What is the most important information! should brownload VRAYLAR?
Elderly people with dementia-related psychosis (having

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Ameren Corporation (AEE)
NYSE - Nasdaq Real Time Price, Currency in USD ☆ Add to watchlist

£§ Visitors trend 2W↑ 10W↑ 9M↑

Quote Lookup

100 0000000 0

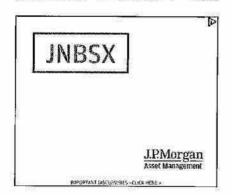
82.81 -1.52 (-1.80%)

As of 11:31AM EST, Market open.

Summary Company	y Outlook 🍎 Chart	Conversations Stat	Istics Historical Data	Profile Financia	ls Analysis Options Holders Sustainabilit				
				Currency in USD					
Earnings Estimate	rnings Estimate Current Qtr. (Dec 2020)		Current Year (2020)	Next Year (2021)	AdCholoss C.				
No. of Analysts	10	6	14	14	Earn 60,000 Points				
Avg. Estimate	0.42	0.76	0.76 3.47		THE AMERICAN EXPRESS® GOLD CARD				
Low Estimate	0.39	0.68	3.41	3.66	LEARN MORE TErmsappy				
High Estimate	0.46	0.85	3.5	3.86					
Year Ago EPS	0.38	0.59	3.35	3.47	AMERICAN EXPRESS				
Revenue Estimate	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)					
No. of Analysts	4	2	9	.9	Trade like it's not				
Avg. Estimate	1.48	1.53B	6.02B	6.34B	your first rodeo				
ow Estimate	1.32B	1.51B	5.8B	6.06B					
ligh Estimate	1.548	1.56B	6.25B	6.71B	People Also Watch				
ear Ago Sales	1.326	1.44B	5.918	6.02B	Symbol Last Price Change % Change				
ales Growth (year/est)	6.60%	6.50%	1.90%	5.30%	DTE 134.11 -1.09 -0.81% DTE Energy Company				
					AJG 116.55 -0.88 -0.75%				
arnings History	12/30/2019	3/30/2020	6/29/2020	9/29/2020	Arthur J. Gallagher & Co. CMS 64.98 -1.08 -1.63%				
PS Est.	0.31	0.7	0.87	1.47	CMS Energy Corporation				
PS Actual	0.38	0.59	0.98	1.47	ABC 105.24 -3.77 -3.46% AmerisourceBergen Corporation				
ifference	0.07	-0.11	0.11	0	ETR 112.72 -0.05 -0.04% Entergy Corporation				
urprise %	22.60%	-15.70%	12.60%	0.00%	©				
					Recommendation Trends >				
PS Trend	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	13 13				
urrent Estimate	0.42	0.76	3.47	3.77	10 9 Strong Buy				
Days Ago	0.42	0.75	3.47	3.77	2 6 6 Buy				
0 Days Ago	0.38	0.75	3.48	3.76	5 Underperform Sell				
0 Days Ago	0.38	0.76	3,47	3.76	20 20 20 20 20 20 20 20 20 20 20 20 20 2				
0 Days Ago	0.39	0.76	3.48	3.77	问题 随期 Nov Oct Sep Aug				
	Samuel Charles			ia sviga nizavana	Recommendation Rating >				
PS Revisions	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	2.2				
Ip Last 7 Days	1	1	N/A	N/A	1 2 3 4 5				

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80 810 HEL 755 H	H 656666 H 10	B 8 B	82 (0)	00 - 9000		7388 3	(C 10) Tasi	Analyst Pric	te rargets (TT) >	000 000	
Up Last 30 Days		3	1		2	N/A			Average 88.36		
Down Last 7 Days Down Last 30 Days		N/A	N/A N/A		N/A		N/A	Low 79.00	O at 82.81	High 93.00	
		N/A			2 1		1	currer			
								Upgrades &	Downgrades >		
Growth Estimates		AEE	Industr	у	Sector(s)	5&	P 500	Maintains	Morgan Stanley: to Equal-Weight	11/17/2020	
Current Qtr.		10.50%	N/A	A	N/A		N/A				
Next Qtr.		28.80%	N//	4	N/A		N/A	Maintains	Morgan Stanley: to Equal-Weight	10/20/2020	
Current Year		3.60%	N/A	4	N/A		N/A	Maintains	Morgan Stanley: to Equal-Weight	10/5/2020	
Next Year		8.60%	N/#	N.	N/A		N/A	Downgrade	Barclays: Equal-Weight to Underweight	9/21/2020	
Next 5 Years (per annum)		3.50%	N/A	A	N/A		N/A	Maintains	Morgan Stanley: to Equal-Weight	9/18/2020	
Past 5 Years (per annum)		8.24%	N/A	V.	N/A	981	N/A	Downgrade	B of A Securities: Buy to Neutral	8/13/2020	

More Upgrades & Downgrades



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American Electric Power Company, Inc. (AEP) NasdaqGS - NasdaqGS Real Time Price. Currency in USD

Add to watchlist

8% Visitors trend 2W↑ 10W↑ 9M↑

88.42 -0.79 (-0.89%)

9933 90 777

As of 11:32AM EST. Market open.

Quote Lookup

Summary Compar	y Outlook 🛍 Chart	Conversations Star	tistics Historical Data	Profile Financials	Analysis Options
				Currency in USD	2040-000-000-000-000-000-000-000-000-000
Earnings Estimate	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	
No. of Analysts	10	7	12	15	Earn 60,00
Avg. Estimate	0.75	1.17	4.32	4.65	THE AMERICA EXPRESS® GO
Low Estimate	0.59	1.01	4.27	4.57	LEARN MORE THE
High Estimate	0.82	1.34	4.37	4.77	AMERICAN
Year Ago EPS	0.6	1.02	4.24	4.32	
Revenue Estimate	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	yahoo/finance succe
No. of Analysts	2	31 31 31 31 31 31 31 31 31 31 31 31 31 3	5	5	Trade like it's not your first rodeo
Avg. Estimate	3.96B	4.18B	15.54B	16.41B	Carries)
Low Estimate	3.88	4.18B	14.868	15.86B	
High Estimate	4.12B	4.188	16.3B	17.02B	People Also Watch
Year Ago Sales	3.65B	3.75B	15.6B	15.54B	Symbol Last Price SO 63.28
Sales Growth (year/est)	8.60%	11.60%	-0.30%	5.60%	Southern Company (The)
	31 41				D 85.88 Dominion Energy, Inc.
Earnings History	12/30/2019	3/30/2020	6/29/2020	9/29/2020	ED 81.35 Consolldated Edison, Inc.
EPS Est.	0.58	1.09	1.06	1.48	DUK 94,85
EPS Actual	0.6	1.02	1.08	1.47	Duke Energy Corporation (Hole FE 28.98
Difference	0.02	-0.07	0.02	-0.01	FirstEnergy Corp.
Surprise %	3.40%	-6.40%	1.90%	-0.70%	Recommendation Tre
					17 18 18
EPS Trend	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	15 4 2 2
Current Estimate	0.75	1.17	4.32	4.65	2
7 Days Ago	0.75	1.17	4.32	4.66	10
30 Days Ago	0.77	1.19	4.32	4.65	5
60 Days Ago	0.78	1.18	4.32	4.65	
90 Days Ago	0.78	1.18	4.32	4.64	Nov Oct Sep
					Recommendation Rat
EPS Revisions	Current Qtr. (Oec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	2,4



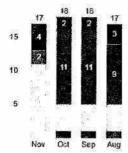
Holders Sustainability



tch

Symbol	Last Price	Change	% Change
so	63.28	-0.84	-1.31%
Southern Co	mpany (The)		
D	85.88	-0.19	-0.22%
Dominion En	ergy, Inc.		
ED	81.35	-0.60	-0.73%
Consolldated	f Edison, Inc.		
DUK	94.85	-0.17	-0.17%
Duke Energy	Corporation (Holdin	n exposessor	
FE	28.98	+0.48	+1,68%
FirstEnergy C	Corp.		

on Trends >



Strong Buy Buy Hold Underperform Sell

on Rating >

EPS Revisions		tr. (Oec 2020)	Next Qtr. (Mar 202	1) Current	Year (2020)	Next Year (202	21)	2.4	(1000-00 10	#4#50 10c	
Finance Home	2020 Flection	Watchlists	My Portfolio	Screeners	Depmin A	Markote	Nowe		Describer	To le form	

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EPS Revisions	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	Analyst Pric	e Targets (17) >	
		28 0.000.000.000.0000.0000.0000.0000.000	5000 H 3000 M (0100 M (200 A 020			Average 96.06	
Up Last 30 Days	1	5	4	1		0	
Down Last 7 Days	N/A	N/A	N/A	N/A	Low 78.00 Cui	rrent 88.42	High 108.00
Down Last 30 Days	i.	N/A	N/A	1	Upgrades &	Downgrades >	
Growth Estimates	AEP	Industry	Sector(s)	S&P 500	Maintains	Morgan Stanley: to Overweight	11/17/2020
Current Qtr.	25.00%	N/A	N/A	N/A	Downgrade	Wolfe Research: Outperform to Peer Perform	11/16/2020
Next Qtr.	14.70%	N/A	N/A	N/A			
Current Year	1,90%	N/A	N/A	N/A	Maintains	Morgan Stanley: to Overweight	10/20/2020
Next Year	7.60%	N/A	N/A	N/A	Maintains	KeyBanc: to Overweight	t 10/19/2020
Next 5 Years (per annum)	5.50%	N/A	N/A	N/A	Maintains	Morgan Stanley: to Overweight	9/18/2020
Past 5 Years (per annum)	6.58%	N/A	N/A	N/A	Maintains	KeyBanc: to Overweight	7/21/2020

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DTE Energy Company (DTE)
NYSE - Nasdaq Real Time Price, Currency in USD

TE) (Add to watchlist

88 Visitors trend 2W ↓ 10W ↑ 9M ↑

Quote Lookup

134.11 -1.09 (-0.81%)

As of 11:33AM EST. Market open.

Summary Com	pany Outlook 🔓 Chart	Conversations S	itatistics Historical Data	Profile Financials	Analysis	Options	Holders	Sustainability
				Currency In USD				D
Earnings Estimate	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)				
No. of Analysts	14	9	18	19				
Avg. Estimate	1.31	2.02	7.01	7.12				
Low Estimate	1.19	1.44	6.81	6.41				
High Estimate	1.61	2.3	7.26	7.28				
Year Ago EPS	1.35	1.66	6.3	7.01				
Revenue Estimate	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	yahoo/finar	ICE YENNY	(9)	
No. of Analysts	6	4	11	11	Trade lik your firs	t rodeo		
Avg. Estimate	3,28B	3.158	12.638	13.01B	(, Try tiflee))].		
Low Estimate	2.98B	3.01B	11.44B	11.62B				
High Estimate	3.648	3.25B	15.128	15.468	People Also		MACHINANA	2000 00 March 14 (1900)
Year Ago Sales	3.158	3.02B	12.67B	12.63B	Symbol CMS	Last Price 64.95	-1.11	% Change -1.68%
Sales Growth (year/e	st) 4.10%	4.30%	-0.30%	3.00%	CMS Energy Cor	poration		
					ETR Entergy Corpora	112,60 atlon	-0.17	-0.15%
Earnings History	12/30/2019	3/30/2020	6/29/2020	9/29/2020	AEE Ameren Corpora	82.61	-1.72	-2.05%
EPS Est.	1.3	1.74	1.28	2.07	PNW Pinnacle West C	89.47	-0.97	-1.07%
EPS Actual	1.35	1.66	1.53	2.61	EIX	65.67	+0.50	+0.77%
Difference	0.05	-0.08	0.25	0.54	Edison Internati	onal		
Surprise %	3.80%	-4.60%	19.50%	26.10%	Recommen	dation Tre	nds >	
EPS Trend	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	20	19 19		
E	51 U N		Si 05	N _H e ⁿ	15	3 3	15 St	rong Buy
Current Estimate	1.31	2.02		7.12	11	8 7	Bi	uy
7 Days Ago	1.31	2.02		7.12	10 2 2		5150	old nderperform
30 Days Ago	1.6	2.03		7.11	5		Se	ell
60 Days Ago	1.63	2.03	6.67	7.11	Nov		्रद्धं Aug	
90 Days Ago	1,67	2.07	6.67	7.12	Recommen	dation Rati	ng >	
EPS Revisions	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)		3	** (*),(*)*(*))	ETTSwey at
Finance Home 2	020 Election Watchilsts		Screeners Premium 🛍	Markets News			Premium - Tr	
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EPS Revisions	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	Analyst Pri	ce Targets (17) >	
wa vere	Same and the same	The second secon	200000000000000000000000000000000000000			Average 137.82	
Up Last 30 Days	1	3	18	10		0	
Down Last 7 Days	N/A	N/A	N/A	N/A	Low 121,00 C	urrent 134.11	High 155,00
Down Last 30 Days	1	N/A	N/A	N/A	Upgrades &	Downgrades >	
Growth Estimates	DTE	Industry	Sector(s)	S&P 500	Maintains	Wells Fargo: to Overweight	10/28/2020
Current Qtr.	-3.00%	N/A	N/A	N/A	Maintains	Credit Suisse: to Neutra	al 10/28/2020
Next Qtr.	21.70%	N/A	N/A	N/A		5842-07-07/27-22-97-1 12/UECWS	
Current Year	11.30%	N/A	N/A	N/A	Maintains	Morgan Stanley: to Equal-Weight	10/28/2020
Next Year	1.60%	N/A	N/A	N/A	Downgrade	BMO Capital: Outperform to Market Perform	10/28/2020
Next 5 Years (per annum)	6.03%	N/A	N/A	N/A	Maintains	Morgan Stanley: to Equal-Weight	10/20/2020
Past 5 Years (per annum)	7.07%	N/A	N/A	N/A	Maintains	Morgan Stanley: to Equal-Weight	10/5/2020

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Duke Energy Corporation (DUK) NYSE - Nasdaq Real Time Price, Currency in USD

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235 2351 19

& Visitors trend 2W 1 10W 1 9M 1

Quote Lookup

94.73 -0.28 (-0.29%)

As of 11:34AM EST. Market open.

Summary Compar	ny Outlook 🛍 Chart	Conversations Sta	atistics Historical Data	Profile Financials	Analysis Options Holders Sustainability
				Currency in USD	DX
Earnings Estimate	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	
No. of Analysts	13	7	14	16	
Avg. Estimate	1.05	1.21	5.1	5.2	\$ 1/4/1
Low Estimate	0.93	1.06	5.05	5.15	
High Estimate	1.17	1.33	5.15	5.25	
Year Ago EPS	0.91	1.14	5.06	5.1	
Revenue Estimate	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	yahoo/finance was
No. of Analysts	7	4	11	10	Trade like it's not your first rodeo
Avg. Estimate	6.42B	6.27B	25.15B	26.36B	(Southern)
Low Estimate	5.138	5.99B	24.29B	25.15B	
High Estimate	7.98B	6.75B	26,45B	28.24B	People Also Watch
Year Ago Sales	6.1B	5.95B	25.08B	25.15B	Symbol Last Price Change % Change SO 63.20 -0.92 -1.43%
Sales Growth (year/est)	5.20%	5.30%	0.30%	4.80%	Southern Company (The) D 85.86 -0.21 -0.24% Dominion Energy, Inc.
Earnings History	12/30/2019	3/30/2020	6/29/2020	9/29/2020	AEP 88.20 -1.01 -1.13%
EPS Est.	0.87	1.19	1.03	1,79	American Electric Power Company ED 81.28 -0.67 -0.81%
EPS Actual	0.91	1.14	1.08	1.87	Consolidated Edison, Inc. EXC 43.34 0.00 0.00%
Difference	0.04	-0.05	0.05	0.08	Exelon Corporation
Surprise %	4.60%	-4.20%	4.90%	4.50%	Recommendation Trends >
EPS Trend	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	17 2 2 2 15 2
Current Estimate	1.05	1.21	5.1	5.2	6 5 Strong Buy Buy
7 Days Ago	1.05	1.21	5.1	5.2	10 Hold
30 Days Ago	1.05	1.2	5.08	5.21	Underperform 5 Sell
60 Days Ago	1,04	1.23	5.08	5,22	
90 Days Ago	1.04	1.23	5.09	5.22	Nov Oct Sep Aug
Valentillari i santa della	SALC SE AUROS SECUL REPROPRIE	SOUTH SEASON MONEYAN			Recommendation Rating >
EPS Revisions	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	2.5
Up Last 7 Days	1 = 01 10 ME	N/A	3	N/A	1 2 3 4 5 Strong Buy Hold Under- Sell

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100 10 PANES	(0 #2	(A)	251 31 30 305 32 3		6	W		47	Average 97.0	0	201 102
Up Last 30 Days		5	N/A		5	130	2		o		
Down Last 7 Days		N/A	N/#	A	N/A		N/A	Low 85.00 Cr	urrent 94.73	2	High 112.00
Down Last 30 Days	is a second	1	•	2	N/A		1,	Upgrades &	Downgrade	2 S >	
Growth Estimates		DUK	Industr	у	Sector(s)	58	P 500	Maintains	Morgan Star Equal-Weigh		11/17/2020
Current Qtr.		15.40%	N/A	\	N/A		N/A	Maintains	Credit Suisse	e: to Ne utra	11/9/2020
Next Qtr.		6.10%	N/A	\	N/A		N/A	marenum eran era	Morgan Star	lev: to	
Current Year		0.80%	N/A	N.	N/A		N/A	Maintains	Equal-Weigh		10/20/2020
Next Year		2.00%	N/A	\	N/A		N/A	Downgrade	Credit Suisse Outperform		10/15/2020
Next 5 Years (per annum)		2.32%	N/A	Š	N/A		N/A	Maintains	Morgan Star Equal-Weigh		10/5/2020
Past 5 Years (per annum)		0.38%	N/A		N/A		N/A	Downgrade	ScotiaBank: Outperform Perform		10/1/2020

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Exelon Corporation (EXC)
NasdagGS - NasdagGS Real Time Price. Currency in USD

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89 Visitors trend 2W ↓ 10W ↑ 9M ↑

Quote Lookup

43.36 +0.02 (+0.05%) As of 11:36AM EST. Market open.

As of 11:36AM EST. Mark	et open.	650									
Summary Compar	ny Outlook 🛍	Chart	Conversations	Statistics	Historical Data	Profile	Financials	Analysis	Options	Holders	Sustainability
						Curren	cy in USD		entre en		ĮDS
Earnings Estimate	Current Qtr. (De	ec 2020)	Next Qtr. (Mar 20	21) Cı	irrent Year (2020)	Next Ye	ear (2021)				1993
No. of Analysts		9		7	13		13	1		W. 17	(1. N.). (1.99)
Avg. Estimate		0.67	0.	88	3.12		2.98			riu:	
Low Estimate		0.64	0.	78	3.1		2.85	7.20			
High Estimate		0.74	1.	02	3.2		3.16				
Year Ago EPS		0.83	0.	87	3.22		3.12	Market St.	2.57		
Revenue Estimate	Current Qtr. (De	ec 2020)	Next Qtr. (Mar 20:	21) Cu	rrent Year (2020)	Next Ye	ar (2021)		IGNCE HIMINA	0	
No. of Analysts		4		3	7		7	your fi	ike it's not rst rodeo		
Avg. Estimate		7,9B	8.6	9B	31,498		30.93B	(tour			-
Low Estimate		6.28B	6.7	3B	25.56B		25.86B				
High Estimate		10.15B	10.5	58	35.07B		35.04B	People A Symbol	Iso Watch Last Price	Change	% Change
Year Ago Sales		8.34B	8.7	58	34.44B		31.49B	FE	28.96	+0.46	+1.61%
Sales Growth (year/est)		5.30%	-0.70)%	-8.60%		-1.80%	FirstEnergy (Corp. 112,64	-0.13	-0.12%
Earnings History	12/3	0/2019	3/30/20	20	6/29/2020	9/	29/2020	Entergy Corp	88.01	-1,19	-1.34%
EPS Est.		0.73	0.0	85	0.43		0.87	SO SO	ctric Power Con 63.19	-0.93	-1,45%
EPS Actual		0.83	0.0	87	0.55		1.04	Southern Co	mpany (The) 85.84		
Difference		0.1	0.0	02	0.12		0.17	Dominion En		-0.23	-0.27%
Surprise %	1	3.70%	2.40	1%	27.90%	. 3	19.50%	Recomm	endation Tr	ends >	
EPS Trend	Current Qtr. (De	c 2020)	Next Qtr. (Mər 202	11) Cui	rrent Year (2020)	Next Yea	or (2021)	20	19 19	21	
Current Estimate		0.67	3.0	38	3.12		2.98	15 6	3 3	- married and	rong Buy
7 Days Ago	×	0.67	3.0	38	3.12		2.98	10	12 12	9 H	old old
30 Days Ago		0.71	3,0	35	2.96		2.95	3 5		U Se	nderperform ell
60 Days Ago		0.71	3.0	34	2.96		2.94	100 A		Verification of the control of the c	
90 Days Ago		0.71	0.8	35	2.97		2.93	Nov	Oct Sep	Aug	
								Recomme	endation Ra	ting >	
EPS Revisions	Current Qtr. (Dec		Next Qtr. (Mar 202		rent Year (2020)	Next Yea		pa .	2.3		
Up Last 7 Days		N/A	N)		N/A		N/A	Strong		3 4 old Under	5 Sell
								1.90 000.50	3.0		20.0

Finance Home 2020	Election Watchlists	17 T T T T T T T T T T T T T T T T T T T	eners Premium 🛍	Markets News		··· Premium	- Try it free
es season salawa se u	O SI M DESCRIPTION	\$14 *2 4 9		SE VISE SEC VICTOR II	DITAL PROPERTY OF STREET	Average 48.06	
Up Last 30 Days	2	3	13	5		٥	
Down Last 7 Days	N/A	N/A	N/A	N/A	Low 37,00 Cui	rent 43.36	High 57.00
Down Last 30 Days	N/A	N/A	N/A	N/A	Upgrades &	& Downgrades >	
Growth Estimates	EXC	Industry	Sector(s)	S&P 500	Maintains	Morgan Stanley: to Overweight	11/17/2020
Current Qtr.	-19.30%	N/A	N/A	N/A	Maintains	Credit Suisse: to Outperform	11/2/2020
Next Qtr.	1.10%	N/A	N/A	N/A		Morgan Stanley: to	
Current Year	-3.10%	N/A	N/A	N/A	Maintains	Overweight	10/20/2020
Next Year	-4.50%	N/A	N/A	N/A	Maintains	Morgan Stanley: to Overweight	10/5/2020
Next 5 Years (per annum)	-2.40%	N/A	N/A	N/A	Maintains	Wells Fargo: to Overweight	8/24/2020
Past 5 Years (per annum)	5.11%	N/A	N/A	N/A	Maintains	Morgan Stanley: to Overweight	8/11/2020
E4 20		8 8					anno attorno attorno a

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Evergy, Inc. (EVRG) NYSE - Nasdaq Real Time Price, Currency in USD

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&S Visitors trend 2W 1 10W 1 9M 1

Quote Lookup

57.03 -0.60 (-1.04%)

As of 11:35AM EST, Market open.

AS OF TELSPAN EST, MAIN	к орен.					
Summary Compan	y Outlook 🛍 Chart	Conversations 5	Statistics Historical Data	Profile Financials	Analysis Options H	folders Sustainability
				Currency in USD		D
Earnings Estimate	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021	Current Year (2020)	Next Year (2021)		
No. of Analysts	5	§ 5	3 8	8		
Avg. Estimate	0.29	0.43		3.23		
Low Estimate	0.18	0,41	3	3.17		
High Estimate	0.43	0.47	3.1	3.26		
Year Ago EPS	0.32	0.41	2.89	3.03		
Revenue Estimate	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	yahoo/finance menun	0
No. of Analysts	2	2	5	5	Trade like it's not your first rodeo	
Avg. Estimate	1.19B	1.118	5,02B	5.08B	(inylifeet)	
Low Estimate	1.118	1.118	4.93B	5.028	RECEIPTS STORMEN CONTRACTOR	
High Estimate	1.27B	1.128	5.11B	5.21B	People Also Watch	
Year Ago Sales	1.13B	1.128	5.15B	5. 02 B	Symbol Last Price ES 93.46	-0.97 -1.03%
Sales Growth (year/est)	5.20%	-0.40%		1.10%	Eversource Energy (D/B/A)	-0.97 -1.03%
			×		CBRE Group Inc	+0.32 +0.53%
Earnings History	12/30/2019	3/30/2020	6/29/2020	9/29/2020	WLTW 207.40 Willis Towers Watson Public Lim	-3.21 -1,52%
EPS Est.	0.31	0.42	0.68	1.57	LNT 55.40	-1.04 -1.84%
EPS Actual	0.32	0.41	0.68	1,73	Alliant Energy Corporation LW 74.29	+0.06 +0.08%
Difference	0.01	-0.01	0	0.16	Lamb Weston Holdings, Inc.	
Surprise %	3.20%	-2.40%	0.00%	10.20%	Recommendation Trend	is >
EPS Trend	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	6 2 2	
Current Estimate	0.29	0.43	3.03	3.23		Strong Buy
7 Days Ago	0.34	0.43	3	3.24	4 2	Buy Hold
30 Days Ago	0.31	0.43	3.01	3.24	2	Underperform Sell
60 Days Ago	0.31	0.43	3.01	3.24	0 0	
90 Days Ago	0.3	0.44	3.02	3.24	Nov Oct Sep Au	
					Recommendation Ratin	g >
EPS Revisions	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)		Next Year (2021)	2.1	
Up Last 7 Days	N/A	1	3	N/A	1 2 3 Strong Buy Hold	4 5 Under- Sell
saw say natara-		232 S 72009	4 6 6 64		10201 - 10 12	

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(10000) #9(### 25# % 0200 Gr 1000		227 25 mm2023250 most	W 11 10 SAM	SEPATES W	=0000 R 5 5 689	Average 61.0	0
Up Last 30 Days	N/A	1	3	N/A		0	
Down Last 7 Days	N/A	N/A	N/A	N/A	Current 57.0	Low 58.00	High 63.00
Down Last 30 Days	3	N/A	N/A	1	Upgrades &	Downgrades >	
Growth Estimates	EVRG	Industry	Sector(s)	S&P 500	Upgrade	Wells Fargo: Equal- Weight to Overweight	10/15/2020
Current Qtr.	-9.40%	N/A	N/A	N/A	Maintains	Wells Fargo: to Overweight	10/15/2020
Next Qtr.	4,90%	N/A	N/A	N/A		Walls Farms to Famil	
Current Year	4.80%	N/A	N/A	N/A	Maintains	Wells Fargo: to Equal- Weight	8/6/2020
Next Year	6.60%	N/A	N/A	N/A	Downgrade	Wolfe Research: Outperform to Peer Perform	8/3/2020
Next 5 Years (per annum)	5.90%	N/A	N/A	N/A	Maintains	UBS: to Neutral	6/5/2020
Past 5 Years (per annum)	-0.13%	N/A	N/A	N/A	Upgrade	Evercore ISI Group: In- Line to Outperform	6/4/2020



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OGE Energy Corp. (OGE) NYSE - Nasdaq Real Time Price. Currency In USD

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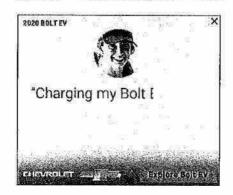
88 Visitors trend 2W ↓ 10W ↑ 9M ↑

Quote Lookup

34.58 -0.12 (-0.35%) As of 11:36AM EST. Market open.

Summary Comp	any Outlook 🛍	Chart	Conversations	Statistics	Historical Data	Profile	Financials	Analys	is Option	ns Ho	olders	Sustainability
12						Curren	cy in USD	2020 808	JEV	77. 1978-20-20		×
Earnings Estimate	Current Qtr. (De	c 2020)	Next Qtr. (Mar 20	021) C	urrent Year (2020)	Next Ye	ar (2021)	THE	ALL-EL			
No. of Analysts		6		3	9		11	FNU	M CHEV	RULE		
Avg. Estimate		0.29).21	2.1		2.21	8	1	4	7	-
Low Estimate		0.19	O	0.17	2.02		2.14		6 marie	a L	-	- 2
High Estimate		0.41	C).24	2.14		2.26		, n y	*	1-1/4 /4	*
Year Ago EPS		0.18	0).23	2.16		2.1	CHEVIR	DLET 🙉	(esta	13.4)	presentative
Revenue Estimate	Current Qtr. (De	c 202 0)	Next Qtr. (Mar 20	021) Cu	urrent Year (2020)	Next Ye	ar (2021)	yahoo!	finance more	M MONG	()	11 000
No. of Analysts		2		2	7		7	your	like it's n first rode	ot D		
Avg. Estimate	52	1.02M	438.9	7M	2.288		2.358	(try a		11		
Low Estimate	46	7.76M	424.9	ЗМ	2,14B		2.218					
High Estimate	57-	4.28M	453.0	1M	2.51B		2.61B	People :	Also Watc	h		
Year Ago Sales	47	72.5M	420.	4M	2.23B		2.28B	Symbol	Last Pi		-1.09	850
Sales Growth (year/est) 10	0.30%	4.4	0%	2.20%		3.10%		rgy Corporatio		-1.09	-1.94%
		700 65		99 19				PNW Pinnacle W	89. Jest Capital Co		-1.15	-1.27%
Earnings History	12/30	0/2019	3/30/2	020	6/29/2020	9/	29/2020	PNM PNM Resor	48, urces, Inc. (Hol		-0.03	-0.07%
EPS Est.		0.28		0.2	0,49		1.09	IDA	93.		-0.40	-0,42%
EPS Actual		0.18	0.	.23	0.51		2.03	IDACORP, I	nc. 64.	89	-0.19	-0.29%
Difference		-0.1	0,	.03	0.02		0.94		Corporation		150000	38
Surprise %	-35	5.70%	15.0	0%	4.10%	:5	86.20%	Recomn	nendation	Trends	5 >	
EPS Trend	Current Qtr. (Dec	2020)	Next Qtr. (Mar 20	21) Cu	rrent Year (2020)	Next Yea	or (2021)	10	10 1	10 10	1	
Current Estimate		0.29	0.	.21	2.1		2.21	8 _7		3	s	trong Buy
7 Days Ago		0.29		.21	2.1		2.21	6		3 1	정 및	Buy Iold
30 Days Ago		0.24		21				4			ι	Inderperform
900 Date 100				- 12	2.12		2.21	2			S	ell
60 Days Ago		0.23		21	2.13		2.21	No.		ap Aug		
90 Days Ago		0.23	0.	21	2.13		2.2	Recomn	nendation	Rating	,	
EPS Revisions	Current Qtr. (Dec	2020)	Next Qtr. (Mar 20)	21) Cui	rrent Year (2020)	Next Yea	r (2021)		2.3		00	
Finance Home 20	20 Election Wat	tchlists	My Portfolio	Screener	s Premium 🛍	Market	s News	5446		Dyn.	mines t	ry it free
16/19/50 0 1/	SERIES SERVICES	V =	ing a or citolio	ou condi	se i i saturani gg	MINI NGL	, items	-		rie	must - 1	ry it nee

EPS Revisions	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	Analyst Pric	te Targets (9) >	
			€ 10		Š	Average 35.56	
Up Last 30 Days	4	1	N/A	2		0	
Down Last 7 Days	N/A	N/A	N/A	N/A	Low 33.00 Curren	t 34.58	High 39.00
Down Last 30 Days	N/A	N/A	1	N/A	Upgrades &	Downgrades >	
Growth Estimates	OGE	Industry	Sector(s)	S&P 500	Downgrade	Mizuho: Buy to Neutral	11/16/2020
Current Qtr.	61.10%	N/A	N/A	N/A	Upgrade	Goldman Sachs: Sell to Neutral	10/20/2020
Next Qtr.	-8.70%	N/A	N/A	N/A		43558 9 745 W	
Current Year	-2.80%	N/A	N/A	N/A	Upgrade	Wells Fargo: Equal- Weight to Overweight	10/15/2020
Next Year	5.20%	N/A	N/A	N/A	Maintains	Wells Fargo: to Overweight	10/15/2020
Next 5 Years (per annum)	2.40%	N/A	N/A	N/A	Maintains	UBS: to Buy	10/6/2020
Past 5 Years (per annum)	9.96%	N/A	N/A	N/A	Maintains	Wells Fargo: to Equal- Weight	8/24/2020



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Otter Tail Corporation (OTTR)
NasdagGS - NasdagGS Real Time Price, Currency in USD

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89 Visitors trend 2W ↓ 10W ↑ 9M ↑

Quote Lookup

41.62 -0.29 (-0.69%)

Up Last 7 Days

N/A

N/A

N/A

N/A

Strong

Buy

Hold

Under-

Sell

Summary Company	y Outlook on Chart	Conversations	Statistics Historical	Data Profile Fin	ancials Analysis	Options	Holders	Sustainabilit
Earnings Estimate	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021	Current Year (202)	Currency in U	SYN	D ADG	ÁΤ	, 1975. j
No. of Analysts	3	3	3	4	4 VAR F	ÖRSIKTIC	9 안전에 1	^{[의} 하세요
Avg. Estimate	0.5	0.6	5 2,	3 2.	A7		A	
Low Estimate	0.46	0.	5 2.2	3 2.	36 D	= S	<u>YAL</u>	
High Estimate	0.56	0.7	2 2.3	5 2.	58		ΝΑ ΕΙΣΤΕ ,	
Year Ago EPS	0.51	0.4	5 2,1	7	DBEJT	E NA SV		EČNOST
Revenue Estimate	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021) Current Year (2020	Next Year (20)	y all but it	Idince without	()	
No. of Analysts	3		2	3	3 Trade I your fi	ike it's not rst rodeo		
Avg. Estimate	224.18M	246.6N	886.988	945.32	2M			
ow Estimate	217M	229.6N	880.21	897.8	вм			
ligh Estimate	233M	263.6N	896.18	980.8	3M	lso Watch		
ear Ago Sales	215.68M	234.75N	919.5	N 886.98	Symbol BKH	Last Price	Change -0.12	176
ales Growth (year/est)	3.90%	5.00%	-3.509	6.60	9% Black Hills Co		-0.79	
arnings History	12/30/2019	3/30/2020	6/29/202	9/29/20	Allete, Inc.	48.97	-0.03	-0.07%
PS Est.	0.5	0.67	0.33	2 0.0		ces, Inc. (Holding 73.59	; Co -0.55	-0.74%
PS Actual	0.51	0.6	0.42	2 0.8	MGE Energy		-0.33	-0.7478
ifference	0.01	-0.07	0.:		IDA	93,93	-0,37	-0.39%
urprise %	2.00%	-10.40%	31.20%	33.80	% Recomme	endation Tr	ends >	
						4 4		
P5 Trend	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020	Next Year (202			703	
urrent Estimate	0.5	0.66	2,:	3 2,4	47 3 3	2 2		Strong Buy Buy
Days Ago	0.5	0.66	2,32	2.4			-	Hold
0 Days Ago	0.57	0.65	2.22	2.3	39 1			Inderperform iell
0 Days Ago	0.57	0.65	2.22	2.5	70 P		705 27 25 28 35	
O Days Ago	0.57	0.65		2.5		Oct Sep	Aug	
5)			53 98		Recomme	endation Ra	ting >	
PS Revisions	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020	Next Year (202	(t)	l.7 ▼		
ACTRICATION STATE	5522	377923	X-W06533	S 1656	90 80	90	9 (2)	1980

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(5) (7)(C (1) (H-1)(C (1) (H-1)(H-1)(H-1)(H-1)(H-1)(H-1)(H-1)(H-1)	100 M St M	(00) (0 (00)E	G) #6 (CO) (0 (\$5000000		838000 N 838 W	Sevine 1944 W	Average 4	9.67
Up Last 30 Days		1	1	3	3	PL 38		0
Down Last 7 Days		N/A	N/A	N/A	N/A		Low 48,00	High 51.00
Down Last 30 Days		N/A	N/A	N/A	N/A	Upgrades &	Downgrades >	
Growth Estimates		OTTR	Industry	Sector(s)	S&P 500	Upgrade	Sidoti & Co.: Neutral to Buy	8/5/2020
Current Qtr.		-2.00%	N/A	N/A	N/A	Downgrade	KeyBanc: Overweight to Sector Weight	3/13/2020
Next Qtr.		10.00%	N/A	N/A	N/A			
Current Year		6.00%	N/A	N/A	N/A	Maintains	Sidoti & Co.: to Neutral	2/19/2020
Next Year		7.40%	N/A	N/A	N/A	Maintains	KeyBanc: to Overweight	1/17/2020
Next 5 Years (per annum)		9.00%	N/A	N/A	N/A	Initiated	KeyBanc: to Overweight	12/16/2019
Past 5 Years (per annum)	,	7.60%	N/A	N/A	N/A	Upgrade	Williams Capital: Sell to Hold	11/6/2019

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PNM Resources, Inc. (PNM) NYSE - Nasdaq Real Time Price. Currency in USD

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28 Visitors trend 2W↑ 10W↑ 9M↑

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48.98 -0.02 (-0.04%) As of 11:40AM EST. Market open.

Summary Com	npany Outlook 🛍	Chart	Conversations	Statistics	Historical Data	Profile.	Financials	Analy	sis O	ptions	Holders	Sustainability
						Currenc	y in USD	DATE OF THE PERSON NAMED IN COLUMN 1				D
Earnings Estimate	Current Qtr.	(Dec 2020)	Next Qtr. (Mar 202	1) Curr	ent Year (2020)	Next Yea	r (2021)					
No. of Analysts		7	a	5	8		10					
Avg. Estimate		0.17	0.1	16	2.26	(±) ;+;	2.33					
Low Estimate		0.11	0.1	1	2.11		2.26					
High Estimate		0.25	0.2	22	2.32		2.4					
Year Ago EPS		0.36	0.1	8	2.16		2.26					
Revenue Estimate	Current Qtr.	(Dec 2020)	Next Qtr. (Mar 202	1) Curr	ent Year (2020)	Next Year	r (2021)	Alking Six	/finance		(i)	Tal.
No. of Analysts		3		2	7		7	your	e like it first re	t's not odeo		
Avg. Estimate		344.18M	383.77	М	1.53B		1.61B	(n	Hiree)	82. I		
Low Estimate		126.71M	379.75	М	1.488		1.55B					
High Estimate		553.24M	387.8	м	1.7B		1.78B	5.77 05 16	Also W		627	2002
Year Ago Sales		344.14M	333.62	м	1.46B		1.53B	Symbol	26	93.93	Chang -0.3	S POST PROPERTY.
Sales Growth (year/e	st)	0.00%	15.00	%	4.70%	ia ä	5.60%	PNW	Inc. West Capit	89.28	-1,1	6 -1.28%
Earnings History	15	2/30/2019	3/30/202	10	6/29/2020	9/2	9/2020	POR		43,72	-0,1	9 -0.44%
EPS Est.		0.33	0.1	7	0.49		1.26	Portland of BKH	General Ele	64.96	-0.1	2 -0.19%
EPS Actual		0.36	0.1	8	0.55		1.4		Corporat	ion		
Difference		0.03	0.0	1	0.06		0.14	OGE Energ	gy Corp	34.63	-0.0	7 -0.20%
Surprise %		9.10%	5.909	%	12.20%	1	1.10%	Recom	menda	tion Tr	ends >	
EPS Trend	Current Qtr. (Dec 2020)	Next Qtr. (Mar 202)	l) Corre	nt Year (2020)	Next Year	(2021)	10	11	9	11 2	
Current Estimate		0.17	0.1	6	2.26		2.33	8	1 '	2	2	Strong Buy
7 Days Ago		0.17	0,1	6	2,26		2.33	6	4	4		Buy Hold
30 Days Ago		0.27	0.1	6	2.23		2.33	4			Bang I	Underperform Sell
60 Days Ago		0.25	0,1	9	2.2		2.32	2			WS.	
90 Days Ago		0.26	0.1	5	2.2		2.34	N	ov Oct		Aug	
						(2)		Recom	mendat		ting >	
EPS Revisions	Current Qtr. (I	Dec 2020)	Next Qtr. (Mar 2021) Curre	nt Year (2020)	Next Year	(2021)	D 853	8-04	2.6		a r ma
Finance Home 2	020 Election	Natchlists	My Portfolio	Screeners	Premium 🛍	Markets	News		**		Premium -	Try it free

EPS Revisions	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	Analyst Pric	e Targets (9) >	
						Average 50.07	
Up Last 30 Days	2	N/A	5	1		0	
Down Last 7 Days	N/A	N/A	N/A	N/A	Low 48.00 Current		High 52.00
Down Last 30 Days	N/A	N/A	N/A	N/A	Upgrades &	Downgrades >	
Growth Estimates	PNM	Industry	Sector(s)	5&P 500	Downgrade	Mizuho: Buy to Neutra	10/22/2020
Current Qtr.	-52.80%	N/A	N/A	N/A	Downgrade	Wells Fargo: Overweigh to Equal-Weight	^{1†} 10/22/2020
Next Qtr.	-11,10%	N/A	N/A	N/A			
Current Year	4.60%	N/A	N/A	N/A	Downgrade	Barclays: Overweight t Equal-Weight	10/22/2020
Next Year	3.10%	N/A	N/A	N/A	Initiated	Citigroup: to Buy	10/14/2020
Next 5 Years (per annum)	3.98%	N/A	N/A	N/A	Maintains	UBS: to Buy	6/5/2020
Past 5 Years (per annum)	4.02%	N/A	N/A	N/A	Maintains	Mizuho: to Buy	6/3/2020

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88 Visitors trend 2W↑ 10W↑ 9M↑

Quote Lookup

63.15 -0.97 (-1.51%)

As of 11:40AM EST. Market open.

Summary Compa	any Outlook 🛍 Chart	Conversations Sta	atistics Historical Data	Profile Financials	Analysis Options Holders Sustainability
				Currency in USD	SÝNIÐ AÐGÁT OU USS
Earnings Estimate	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	STRID ADORT
No. of Analysts	11	7	17	17	VAR FÖRSIKTIG 안전에 뮤의하세요.
Avg. Estimate	0.4	0.8	3.19	3.32	BE SAFE
Low Estimate	0.29	0.64	3.14	3.26	DLSAFE
High Estimate	0.44	0.98	3.22	3.4	ΝΑ ΕΙΣΤΕ ΑΣΦΑΛΕΙΣ
Year Ago EPS	0.27	0.78	3.11	3.19	DBEJTE NA SVOU BEZPEČNOST
Revenue Estimate	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	yahoo/finance was
No. of Analysts	5	3	10	11	Trade like it's not your first rodeo
Avg. Estimate	5.95B	5.49B	21.5B	22.36B	Common Transfer
Low Estimate	4.93B	5.31B	20.35B	21,13B	
High Estimate	8.35B	5.63B	23.618	24.26B	People Also Watch
Year Ago Sales	4.91B	5.02в	21.428	21.5B	Symbol Last Price Change % Change DUK 94.66 -0.35 -0.37%
Sales Growth (year/est	21.10%	9.50%	0.40%	4.00%	Duke Energy Corporation (Holdin
					D 85.77 -0.30 -0.35% Dominion Energy, Inc.
Earnings History	12/30/2019	3/30/2020	6/29/2020	9/29/2020	AEP 87.98 -1.23 -1.38% American Electric Power Company
EPS Est.	0.27	0.71	0.67	1.21	ED 81.25 -0.69 -0.85%
EPS Actual	0.27	0.78	0.78	1.22	Consolidated Edison, Inc. EXC 43.35 +0.01 +0.01%
Difference	0	0.07	0.11	0.01	Exelon Corporation
Surprise %	0.00%	9.90%	16.40%	0.80%	Recommendation Trends >
EPS Trend	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	20 17 17 17 3
Current Estimate	0.4	0.8	3.19	3.32	17 17 17 3 15 4 4 3 Strong Buy
7 Days Ago	0.4	0.8	3.19	3,32	Buy 10 Hold
30 Days Ago	0.4	0.81	3.16	3.32	Underperform 5 Sell
60 Days Ago	0.37	0.81	3.16	3.32	5 Sell
90 Days Ago	0.37	0.81	3.15	3.31	Nov Oct Sep Aug
£ 350			3	77.5	Recommendation Rating >
EPS Revisions	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	2.9
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EPS Revisions	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	Analyst Pr	ice Targets (16) >	
NAME OF STREET		THE AMERICAN CONTRACT OF THE STREET CONTRACT				Average 61.38	
Up Last 30 Days	3	3	11	4		0	
Down Last 7 Days	N/A	N/A	N/A	N/A	Low 53.00	Current 6	High 67.00 3.15
Down Last 30 Days	N/A	N/A	N/A	N/A	Upgrades &	& Downgrades >	
Growth Estimates	50	Industry	Sector(s)	S&P 500	Maintains	Morgan Stanley: to Underweight	11/17/2020
Current Qtr.	48.10%	N/A	N/A	N/A	Maintains	Morgan Stanley: to Underweight	10/20/2020
Next Qtr.	2.60%	N/A	N/A	N/A			
Current Year	2.60%	N/A	N/A	N/A	Maintains	KeyBanc: to Overweight	10/19/2020
Next Year	4.10%	N/A	N/A	N/A	Maintains	Morgan Stanley: to Underweight	10/5/2020
Next 5 Years (per annum)	4.53%	N/A	N/A	N/A	Upgrade	Barclays: Equal-Weight to Overweight	9/21/2020
Past 5 Years (per annum)	3.96%	N/A	N/A	N/A	Maintains	Morgan Stanley: to Underweight	9/18/2020

23

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NasdagGS - NasdagGS Real Time Price. Currency in USD

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73.63 -1.0 As of 11:41AM EST. Market	020				Quote Lookup	L
Summary Compan	y Outlook 🏙 Chart	Conversations Sta	tistics Historical Data	Profile Financials	Analysis Options	Holders Sustainability
				Currency in USD		
Earnings Estimate	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)		0000 11015 -
No. of Analysts	9	6	15	16	1	HUNGER
Avg. Estimate	0.57	0.64	2.78	2.97		IS A STORY
Low Estimate	0.54	0.56	2.71	2.94		WE CAN
High Estimate	0.67	0.69	2,83	3.02		END.
Year Ago EPS	0.56	0.56	2.64	2.78	FEEDING AN	END IT
Revenue Estimate	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)		
No. of Analysts	5	2	9	11	yahoo/finance moses Trade like it's not	
Avg. Estimate	2.84B	3.118	11.81B	12.28B	your first rodeo	
ow Estimate	2.38B	3В	11.23B	11.7B		and the second
-ligh Estimate	3.21B	3.23B	12.4B	12.94B	People Also Watch	
ear Ago Sales	2.8B	2.81B	11.53B	11.81B	Symbol Last Price	Change % Change
Sales Growth (year/est)	1.50%	10.80%	2.50%	3.90%	WEC Energy Group, Inc.	-2.06 -1.98%
Earnings History	12/30/2019	3/30/2020	6/29/2020	9/29/2020	PNW 89.22 Pinnacle West Capital Corpor	
EPS Est.	0.53	0.6	0.48	1.06	SRE 134.76 Sempra Energy	-0.68 -0.50%
EPS Actual	0.56	0.56	0.54	1.14	PEG 59.22 Public Service Enterprise Gro	-0.30 -0.50%
Difference	0.03	-0.04	0.06	0.08	CNP 24.87 CenterPoint Energy, Inc (Hold	-0,22 -0.88%
Surprise %	5.70%	-6.70%	12.50%	7.50%	Control of the second control of the second	521
		IS .			Recommendation Tr	ends >
PS Trend	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	15 14 14	15
Current Estimate	0.57	0.64	2.78	2.97		2 Strong Buy
Days Ago	0.57	0.64	2.78	2.97	10	Buy Hold
0 Days Ago	0.59	0.64	2.78	2.97	5	Underperform
0 Days Ago	0.59	0.64	2.78	2.97		Seli
00 Days Ago	0.6	0.64	2.77	2.97	Nov Oct Sep	Aug
					Recommendation Ra	ting >
PS Revisions	Current Qtr. (Dec 2020)	Next Qtr. (Mar 2021)	Current Year (2020)	Next Year (2021)	2,	9
Jp Last 7 Days	N/A	N/A	N/A	N/A		

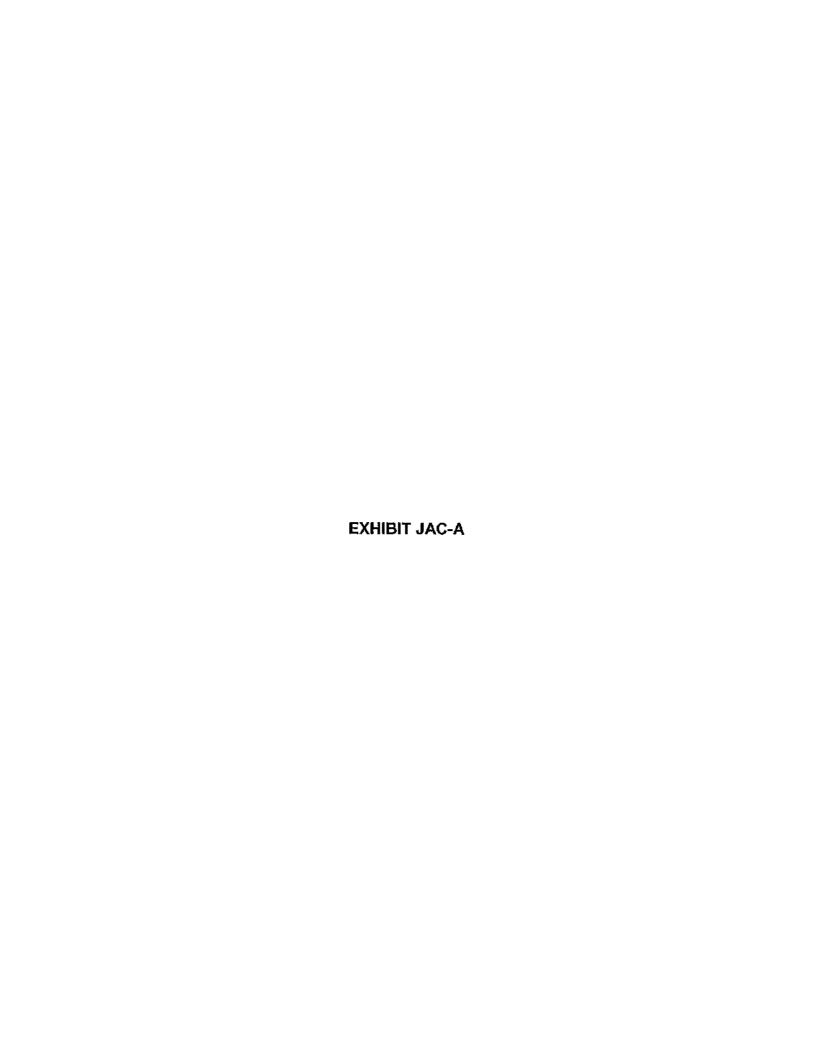
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1980 NO DO # M M M M		e e e e e e e		Watton of 19	Analyst Pric	e rargets (14) >	16 W.S
Up Last 30 Days	3	3	4	5		Average 71.43	
Down Last 7 Days	N/A	N/A	N/A	N/A	Low 65.00	Curren	High 76.00
Down Last 30 Days	N/A	N/A	N/A	N/A		Curren	173.63
					Upgrades &	Downgrades >	
Growth Estimates	XEL	Industry	Sector(s)	S&P 500	Maintains	Morgan Stanley: to Underweight	11/17/2020
Current Qtr.	1.80%	N/A	N/A	N/A		11223 1122 1 SEPTEMBER	
Next Qtr.	14.30%	N/A	N/A	N/A	Maintains	Mizuho: to Neutral	10/27/2020
Current Year	5.30%	N/A	N/A	N/A	Maintains	Morgan Stanley: to Underweight	10/20/2020
Next Year	6.80%	N/A	N/A	N/A	Maintains	KeyBanc: to Overweight	10/19/2020
Next 5 Years (per annum)	6.20%	N/A	N/A	N/A	Downgrade	Argus Research: Buy to Hold	8/25/2020
Past 5 Years (per annum)	5.68%	N/A	N/A	N/A	Maintains	KeyBanc: to Overweight	7/21/2020
							53



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Arizona Public Service Company Test Year Ended June 30, 2019 Docket No. E-01345A-19-0236

Pinnacle West (PNW) Capital Structure as reported by Value Line (Historical for Year 2019; Projected for Years 2020, 2021, and 2024)

		APS Proposed Capital Structure (APS as a Stand-Alone entity)	apital Structure -Alone entity)	PNW Capital Structure (on a Consolidated Basis)	Structure ated Basis)		PNA	PNW Consolidated Capital Structure	Capital Struc	ture	
Line No.	Description	(\$thousand)) 6/30/2019	(%) 6/30/2019	(\$mill) (%) 12/31/2019 12/31/2019	(%)	(\$mill) 12/31/2020	(\$mill) (%) 12/31/2020 12/31/2020	(\$mill) (%) 12/31/2021 12/31/2021	(%)	(5mill) (%) 12/31/2024 12/31/2024	(%) 12/31/2024
ч	Long-Term Debt	\$ 4,726,125	45.33%	\$ 4,833.9	47.10%	\$ 6,333.5	53.00%	\$ 7,298.3	55,50%	\$ 8,428.8	55.00%
2	Common Equity	\$ 5,700,968	54.67%	\$ 5,429.1	52.90%	\$ 5,616.5	47.00%	\$ 5,851.8	44.50%	\$ 6,896.3	45.00%
m	TOTAL CAPITALIZATION	\$ 10,427,093	100.00%	\$ 10,263	100.00%	\$ 11,950	100.00%	\$ 13,150	100.00%	\$ 15,325	100.00%
		2		2019	U.S.	2020		2021		2023-'25	
4		Pinnacle West Total Capital	Capital	\$ 10,263		\$ 11,950		\$ 13,150		\$ 15,325	
Ľ		Value Line projected Growth Rates for Pinnacle West Growth Rates - Long-Term Debt	d Growth Rates for g-Term Debt	Pinnacle West	6			(A)			
1 9 1		2-Year 5-Year				31.02%		50.98%		74.37%	
00		5-Year Compound Annual Growth	nnual Growth							11.76%	
e 8 1		Growth Rates - Common Equity 1-Year 2-Year 5-Year	mon Equity			3.45%		7.78%		27.02%	
77		5-Year Compound Annual Growth	innual Growth							4.90%	
t 4 t		1-Year 2-Year 5-Year	i capital			16.44%		28.13%		49.32%	
16	10 m	5-Year Compound Annual Growth	nnual Growth							8.35%	

Reference: Value Line Invstment Survey, Ratings & Reports (October 23, 2020).



Arizona Public Service Company Test Year Ended June 30, 2019 Docket No. E-01345A-19-0236

CAPITAL STRUCTURE & WEIGHTED AVERAGE COST OF CAPITAL (\$ thousands of dollars) RUCO PROPOSED

E	Weighted	1.86%	4.76%	6.62%
[6]	Cost	4.10%	8.70%	
[0]	Capital	45.33%	54.67%	100.00%
[C] RUCO Adjusted	Capital	4,726,125	5,700,968	10,427,093
50 0		69	S	ક્ક
[8]	RUCO Adjustments	r		8
[A] Company proposed	Capital Structure	4,726,125 \$	5,700,968 \$	10,427,093 \$
ŭ		↔		9
	Description	Long-Term Debt	Common Equity	TOTAL CAPITALIZATION
	Fine S	- 0	က	4

[A]: Company Schedule D-1
[B]: RUCO Adjustments
[C]: [A] + [B]
[D]: Capital ratio based on values shown in Column [C].
[E]: Company Schedule D-1, and RUCO Schedule JAC-2.
[F]: [D] * [E]

Arizona Public Service Company Cost of Capital Calculation Fair Value Rate Base (FVRB), Fair Value Rate of Return (FVROR) and Cost Rate to be Assigned to the Fair Value Increment RUCO Recommended (\$ in thousands)

Calculation of RUCO Fair Value Rate Base (FVRB)

Line No.	Rate Base Estimate	Amount	Weighting	 Weighted Amount
1	¹ Original Cost Rate Base (OCRB) - RUCO Recommended	\$ 8,261,698	50%	\$ 4,130,849
2	2 RUCO Reconstruction Cost New (RCND) Rate Base	\$ 15,136,256	50%	7,568,128
3	Fair Value Rate Base (FVRB)	5-77-100		\$ 11,698,977
4	Appreciation above OCRB			\$ 3,437,279
5	FV/OCRB Multiple	1.42		CONTRACTOR OF STREET

Calculation of RUCO Fair Value Rate of Return (FVROR)

					Cost	Weighted
	Capital		Amount	Percent	Rate	Cost
5	Long-Term Debt	s	3,744,650	32.01%	4.10%	1.3123%
7	Common Equity	\$	4,517,048	38.61%	8.70%	3.3601%
В	Capital Financing OCRB	\$	8,261,698			
9	Fair Value Increment	\$	3,437,279	29.38%	0.00%	0.00%
)	Fair Value Rate of Return	s	11,698,977	100.00%		4.67%

Calculation of Cost Rate to be Assigned to the Fair Value Increment

Cost Inputs	Cost Rate
Nominal Risk-Free Rate - Forecasted	1,75%
Less: CPI Inflation Component - Forecasted	1.30%
Real Risk-Free Rate	0.45%
Cost Rate - Fair Value Increment	0.45%
RUCO RECOMMENDED COST RATE - Fair Value Increment	0.00%

Sources

¹ Frank Radigan Direct, Exhibit FWR-2 (RUCO Schedule A-1)

² Frank Radigan Direct, Exhibit FWR-2 (RUCO Schedule A-1)

Nominal risk-free rate is the yield on the 30-year U.S. Treasury Bond, forecasted one year out to Q3 - 2021. https://tradingeconomics.com/forecast/government-bond-10y

Consumer Price Index (CPI) inflation, forecasted one year out to Q4 - 2021. https://data.oecd.org/price/inflation-forecast.htm

Cost of Common Equity

			Com	mon Equity Cost I	Rate
Lin-			Indicated Cost of Common Equity	Weight Factor	Indicated Weighted Cost
1	Discounted Cash Flow Model ("DCF")	Schedule JAC - 3	8.63%	40.00%	3.4526%
2	Capital Asset Pricing Model ("CAPM")	Schedule JAC - 4	7.75%	20.00%	1.5500%
3	Comparable Earnings Model ("CE")	Schedule JAC - 5	9.75%	40.00%	3.9000%
4	Sample Average Indicated Cost of Common	Equity	8.71%		
5	RUCO Indicated Weighted Cost of Commo	on Equity			8,90%
6	RUCO Proposed Downward Adjustment				0.20%
7	RUCO Recommended Cost of Common E	quity			8.70%

[[]Lines 1 - 3]: From Schedules JAC-3, JAC-4 and JAC-5

[[]Lines 4 - 5]: See Testimony

[[]Line 6]: See Direct Testimony of Jordy Fuentes [Line 7]: See Testimony

PROXY GROUP -- DIVIDEND YIELD

Line			(A)	(B) August	(C) 2020 - Octob	(D) per 2020	(E)
No	Proxy Group Companies	Ticker	DPS	High	Low	Average	Yield
1	Allete, Inc.	ALE	\$2.47	\$61.32	\$49.91	\$55.62	4.44%
2	Ameren Corporation	AEE	\$1.98	\$85,43	\$75.27	\$80.35	2.46%
3	American Electric Power Company, Inc.	AEP	\$2.80	\$94.21	\$77.30	\$85.76	3.27%
4	DTE Energy Company	DTE	\$4.05	\$130.89	\$109.65	\$120.27	3.37%
5	Duke Energy Corporation	DUK	\$3.86	\$94.37	\$78.95	\$86.66	4.45%
6	Exelon Corporation	EXC	\$1.53	\$42.77	\$33.97	\$38.37	3.99%
7	Evergy, Inc.	EVRG	\$2.02	\$65.39	\$48.61	\$57.00	3.54%
8	OGE Energy Corporation	OGE	\$1.55	\$34.10	\$28.25	\$31.18	4.97%
9	Otter Tail Corporation	OTTR	\$1.48	\$42.02	\$35.36	\$38.69	3.83%
10	PNM Resources, Inc.	PNM	\$1.23	\$50.25	\$39.00	\$44.63	2.76%
11	Southern Company	so	\$2.56	\$61.26	\$51.22	\$56.24	4.55%
12	Xcel Energy Inc.	XEL	\$1.72	\$74.41	\$65.69	\$70.05	2.46%

References:

13 Average

3.67370%

Column (A) - Value Line Investment Survey, Ratings & Reports (September 11, October 23, and November 13, 2020).

DPS reflects annualization of most recent quarterly dividend.

Columns (B), (C), and (D) - Yahoo Finance

http://finance.yahoo.com

Arizona Public Service Company Test Year Ended June 30, 2019 Docket No. E-01345A-19-0236

PROXY GROUP - PER SHARE GROWTH RATES

Line	\$49°C-1		5-Ye H	5-Year Compound Average Annual Historical Growth, 2015-2019	d Average A wth, 2015-20	nnual 19	5-Ye P	5-Year Compound Average Annual Projected Growth, 2020-2024	1 Average Ar	nual 24
외	Proxy Group Companies	Ticker	EPS	SHO	BVPS	Average	EPS	DPS	BVPS	Average
•	Allete, Inc.	ALE	4.0%	3.5%	5.0%	4.2%	4.5%	4.5%	3.5%	4.2%
7	Ameren Corporation	AEE	6.5%	3.0%	2.5%	4.0%	%0.9	2.0%	%0.9	5.7%
က	American Electric Power Company	AEP	4.0%	5.5%	3.0%	4.2%	2.0%	2.5%	4.5%	2.0%
4	DTE Energy Company	DTE	7.5%	7.0%	2.0%	6.5%	%0.9	6.5%	5.5%	%0.9
Ŋ	Duke Energy Corporation	DUK	2.5%	3.0%	1.0%	2.2%	2.0%	2.5%	2.5%	3.3%
9	Exelon Corporation	EXC	4.5%	NMH	4.0%	4.3%	3.5%	5.5%	3.5%	4.2%
7	Evergy, Inc.	EVRG	NMF	NMF	NMI	NMF	4.5%	5.5%	2.0%	4.0%
œ	OGE Energy Corporation	OGE	2.0%	10.0%	5.5%	5.8%	3.0%	%0.9	0.5%	3.2%
0	Otter Tail Corporation	OTTR	%0.6	2.5%	4.5%	5.3%	3.5%	2.0%	4.0%	4.2%
10	PNM Resources, Inc.	PNM	7.0%	10.0%	NME	8.5%	7.5%	6.5%	%0.9	6.7%
T	Southern Company	SO	3.0%	3.5%	3.0%	3.2%	3.0%	3.0%	3.5%	3.2%
12	Xcel Energy Inc.	Ä E	2.0%	6.5%	4.5%	5.3%	%0.9	%0.9	2.5%	5.8%
						Į.				
13	13 Average					4.86%				4 61%
					3000					27.00

Reference: Value Line Investment Survey, Ratings & Reports (various issues - September 11, October 23, and November 13, 2020).

PROXY GROUP - GROWTH RATES RETAINED TO COMMON EQUITY

1 Alle fiet, Inc. ALE 3.6% 2.8% 2.7% 2.3% 2.8% 1.5% 2.0% 2.5% 2.0% 2.5% 2.0% 2.5% 2.5% 2.0% 2.5% 2.5% 2.0% 2.5% 2.5% 2.0% 2.5% 2.5% 2.0% 2.5% 3.5% 3.7% 4.0% 4.0% 4.0% 4.0% 4.2% 4.0% 4.0% 4.0% 4.2% 3.5% 3.0% 3.5% 3.5% 3.5% 3.5% 3.5% 3.5% 3.5% 3.5% 3.5% 3.5% 3.5% 3.5% 3.5% 3.5%	Line No	o Proxy Group Companies	Ticker	(A) 2015	(B) 2016	(C)	(D) 2018	(E)	Average	2020	2021	2023-25	Average
Corporation AEE 2.5% 3.3% 3.4% 4.8% 4.4% 3.7% 4.0% 4.0% 4.5% D I Electric Power Company AEP 3.9% 5.5% 3.2% 3.5% 3.4% 4.0% 4.0% 4.0% 4.5% Flectric Power Company DTE 3.4% 3.7% 4.6% 4.9% 4.1% 4.1% 4.0% 4.0% 4.5% From Portalion EXC 4.5% 1.2% 1.0% 2.4% 1.3% 2.0% 2.0% 2.5% For Portalion EXC 4.5% 1.9% 4.7% 2.2% 4.0% 4.0% 4.0% 4.0% Inc. EVRG 4.0% 3.3% 3.5% 3.6% 3.0% 2.5% 2.5% 2.5% Inc. EVRG 4.0% 3.3% 3.6% 3.6% 3.0% 3.0% 3.5% 3.0% 2.5% 2.5% 2.5% 2.5% 2.5% 2.5% 2.5% 2.5% 2.5% 3.0% 3.0%		Allete, Inc.	ALE	3.6%	2.8%	2.4%	2.7%	2.3%	2.8%	1.5%	2.0%	2.5%	2.0%
Section	N	Ameren Corporation	AEE	2.5%	3.3%	3.4%	4.8%	4.4%	3.7%	4.0%	4.0%	4.5%	4.2%
rigy Company DTE 3.4% 3.7% 4.6% 4.9% 4.1% 4.1% 4.0% 4.0% 4.5% ergy Corporation DUK 1.5% 0.6% 1.2% 1.0% 2.4% 1.3% 2.0% 2.0% 2.5% corporation EXC 4.5% 1.9% 4.7% 2.2% 4.7% 3.6% 4.0% 4.0% 4.0% no. EVRG 4.0% 3.3% 3.5% 3.6% 3.6% 4.0% 4.0% ergy Corporation OGE 4.0% 3.3% 3.6% 3.6% 3.0% 2.5% I Corporation OTTR 2.0% 2.1% 3.8% 3.6% 3.0% 3.0% 2.5% sources, Inc. PNIM 3.3% 2.8% 4.5% 2.9% 5.4% 3.8% 3.6% 4.0% 4.5% scources, Inc. SO 3.1% 2.5% 2.9% 2.6% 2.8% 3.0% 2.5% 2.5% 3.0% rgy Inc. XEL	ന	American Electric Power Company	AEP	3.9%	5.5%	3.2%	3.5%	3.4%	3.9%	3.5%	3.5%	3.5%	3.5%
ergy Corporation DUK 1.5% 0.6% 1.2% 1.0% 2.4% 1.3% 2.0% 2.0% 2.5% orporation EXC 4.5% 1.9% 4.7% 2.2% 4.7% 3.6% 4.0% 4.0% 4.0% nc. EVRG 4.0% 3.3% 3.5% 3.6% 3.6% 3.0% 2.5% 2.5% ergy Corporation OTTR 2.0% 2.1% 3.3% 4.0% 4.0% 3.0% 2.5% 2.5% I Corporation OTTR 2.0% 2.1% 3.3% 4.0% 4.0% 3.0% 3.5% 4.0% 4.5% sources, Inc. PNM 3.3% 2.8% 4.0% 4.0% 4.0% 4.0% 4.5% sources, Inc. SO 3.1% 2.5% 2.9% 5.4% 3.8% 3.5% 4.0% 4.5% sources, Inc. XEL 4.3% 4.4% 4.2% 3.5% 4.0% 4.5% sources, Inc. XEL	4	DTE Energy Company	DTE	3.4%	3.7%	4.6%	4.9%	4.1%	4.1%	4.0%	4.0%	4.5%	4.2%
Orporation EXC 4.5% 1.9% 4.7% 2.2% 4.7% 3.6% 4.0% 4.0% 4.0% nc. EVRG 4.0% 3.3% 3.5% 2.4% 1.5% 2.0% 2.5% 2.5% ergy Corporation OGE 4.0% 3.3% 4.0% 4.0% 3.0% 3.0% 2.5% I Corporation OTTR 2.0% 2.1% 3.3% 4.0% 4.0% 3.1% 3.0% 3.5% sources, Inc. PNM 3.3% 2.8% 4.5% 2.9% 5.4% 3.8% 3.5% 4.0% 4.5% I Company SO 3.1% 2.5% 2.9% 5.4% 4.5% 2.5% 3.0% 4.5% I Company XEL 4.3% 4.3% 4.4% 4.2% 4.0% 4.0% 4.0% 4.0% 4.0% 4.0% 4.0% 4.0% 4.0% 4.0% 4.0% 4.0% 4.0% 4.0% 4.0% 4.0% 4.0% 4.0%	ιO.	Duke Energy Corporation	DOK	1.5%	0.6%	1.2%	1.0%	2.4%	1.3%	2.0%	2.0%	2.5%	2.2%
nc. EVRG 4.0% 3.3% 3.5% 2.4% 1.5% 2.0% 2.5% 2.5% ergy Corporation OGE 4.0% 3.3% 3.6% 3.6% 3.0% 3.5% 2.5% I Corporation OTTR 2.0% 2.1% 3.3% 4.0% 4.0% 3.1% 3.0% 3.5% sources, Inc. PNM 3.3% 2.8% 4.5% 2.9% 5.4% 3.8% 3.5% 4.0% 4.5% I Company SO 3.1% 2.5% 2.8% 2.8% 3.0% 2.5% 3.0% rgy lnc. XEL 4.3% 4.0% 4.3% 4.4% 4.2% 3.5% 4.0% 4.0%	0	Exelon Corporation	EXC	4.5%	1.9%	4.7%	2.2%	4.7%	3.6%	4.0%	4.0%	4.0%	4.0%
ergy Corporation OGE 4.0% 3.3% 3.5% 3.8% 3.6% 3.0% 3.0% 2.5% I Corporation OTTR 2.0% 2.1% 3.3% 4.0% 4.0% 3.1% 3.0% 3.0% 3.5% sources, Inc. PNIM 3.3% 2.8% 4.5% 2.9% 5.4% 3.8% 3.5% 4.0% 4.5% company SO 3.1% 2.5% 3.9% 4.3% 4.4% 4.2% 3.5% 4.0% 4.0% rgy Inc. XEL 4.3% 4.0% 3.9% 4.3% 4.4% 4.2% 4.0% 4.0%	7	Evergy, Inc.	EVRG				%9.0	2.4%	1.5%	2.0%	2.5%	2.5%	2.3%
I Corporation OTTR 2.0% 2.1% 3.3% 4.0% 4.0% 4.0% 3.1% 3.0% 3.0% 3.5% sources, Inc. PNIM 3.3% 2.8% 4.5% 2.9% 5.4% 3.8% 3.5% 4.0% 4.5% I Company SO 3.1% 2.5% 3.9% 2.6% 2.8% 3.0% 2.5% 3.0% rgy Inc. XEL 4.3% 4.0% 3.9% 4.4% 4.2% 3.5% 4.0% 4.0%	00	OGE Energy Corporation	OGE	4.0%	3.3%	3.5%	3.8%	3.6%	3.6%	3.0%	3.0%	2.5%	2.8%
sources, Inc. PNM 3.3% 2.8% 4.5% 2.9% 5.4% 3.8% 3.5% 4.0% 4.5% 4.5% 5.0% 5.4% 3.8% 3.5% 4.0% 4.5% 3.0% 2.5% 3.0% 3.0% 4.3% 4.0% 3.9% 4.3% 4.4% 4.2% 3.5% 4.0% 4.0% 3.9% 4.3% 4.4% 4.2% 3.5% 4.0% 4.0% 3.2%	တ	Otter Tail Corporation	OTTR	2.0%	2.1%	3.3%	4.0%	4.0%	3.1%	3.0%	3.0%	3.5%	3.2%
rgy Inc. XEL 4.3% 4.0% 3.9% 2.6% 2.8% 3.0% 2.5% 2.5% 3.0% rgy Inc. XEL 4.3% 4.0% 3.9% 4.3% 4.4% 4.2% 3.5% 4.0% 4.0% 3.9%	7	9 PNM Resources, Inc.	PNM	3.3%	2.8%	4.5%	2.9%	5.4%	3.8%	3.5%	4.0%	4.5%	4.0%
rgy Inc. XEL 4.3% 4.0% 3.9% 4.3% 4.4% 4.2% 3.5% 4.0% 4.0% 3.0% 4.0% 3.2%	-	1 Southern Company	SO	3.1%	2.5%	3.9%	2.6%	2.8%	3.0%	2.5%	2.5%	3.0%	2.7%
3.22%	7	2 Xcel Energy Inc.	XEL	4.3%	4.0%	3.9%	4.3%	4.4%	4.2%	3.5%	4.0%	4.0%	3.8%
	5	3 Average					4		3.22%				3.24%

Source: Value Line Investment Survey, Ratings & Reports (various issues - September 11, October 23, and November 13, 2020).

		(A) Current	(B)	(C)	(D)	(E)	(F) Yahool Fin.	(G)	(H) Expected	(1)
							Projected	Assessment	Dividend	DCF
Proxy Group Companies	Doker	(DalPas	Growth	Growth	Growth Rates	Growth Rates	Growth	Growth	(D.IPas	Rates
Allete, Inc.	ALE	4.4%	2.8%	2.0%	4.2%	4.2%	7.00%	4.0%	4.5%	8.5%
Ameren Corporation	AEE	2.5%	3.7%	4.2%	4.0%	5.7%	3.50%	4.2%	2.5%	8.7%
American Electric Power Company	AEP	3.3%	3.9%	3.5%	4.2%	5.0%	5.50%	4.4%	3.3%	7.8%
DTE Energy Company	DTE	3.4%	4.1%	4.2%	6.5%	6.0%	6.03%	5.4%	3.5%	8.8%
Duke Energy Corporation	DUK	4.5%	1.3%	2.2%	2.2%	3.3%	2.31%	2.3%	4.5%	6.8%
Exelon Corporation	EXC	4.0%	3.6%	4.0%	4.3%	4.2%	NMF	4.0%	4.1%	8.1%
Evergy, Inc.	EVRG	3.5%	1.5%	2,3%	NMF	4.0%	6.00%	3.5%	3.6%	7.1%
OGE Energy Corporation	OGE	5.0%	3.6%	2.8%	5.8%	3.2%	2.40%	3.6%	5.1%	8.6%
Otter Tail Corporation	OTTR	3.8%	3.1%	3.2%	5.3%	4.2%	9.00%	4.9%	3.9%	8.9%
PNM Resources, Inc.	PNM	2.8%	3.8%	4.0%	8.5%	6.7%	3.98%	5.4%	2.8%	8.2%
Southern Company	SO	4.6%	3.0%	2.7%	3.2%	3.2%	4.53%	3.3%	4.6%	7.8%
Xcel Energy Inc.	XEL	2.5%	4.2%	3.8%	5.3%	5.8%	6.20%	5.1%	2,5%	7.6%
Meen	1000	3.67%	3.22%	3.24%	4.86%	4.61%	5.13%	4.17%	3.75%	7.92%
Median		3.68%	3.62%	3.33%	4.25%	4.17%	5.50%	4.11%	3.76%	8.00%
Composite-Mean			6.96%	6.98%	8.80%	8.36%	8.88%	7.92%		
Composite-Median	777 3		7.38%	7.10%	8.01%	7.93%	9.26%	7.87%	HIII/A	- 4
	Allets, Inc. Ameren Corporation American Electric Power Company DTE Energy Company Duke Energy Corporation Exelon Corporation Evergy, Inc. OGE Energy Corporation Otter Tall Corporation PNM Resources, Inc. Southern Company Xcel Energy Inc. Meen Median Composite-Mean	Allets, Inc. ALE American Electric Power Company DIE Energy Company Duke Energy Corporation Exclor Corporation Evergy, Inc. Evergy, Inc. Evergy, Inc. Evergy Corporation OGE Otter Tall Corporation OTTR PNM Resources, Inc. Southern Company Xcel Energy Inc. Meen Median Composite-Mean	Proxy Group Companies Proxy Group Companies Ticket Ileket Interest Inte	Proxy Group Companies	Proxy Group Companies Divident Historic Retention Projected Retention Growth	Proxy Group Companies Dicket Projected Projected Per Share Per Sha	Projected Proj	Projected Proj	Projected Proj	Projected Proj

References:

Column [A]: Schedule JAC - 3 (Page 1) Column [B]: Schedule JAC - 3, page 4 of 4

Column [B] : Scheckle JAC - 3, page 4 of 4
Column [C] : Scheckle JAC - 3, page 4 of 4
Column [C] : Scheckle JAC - 3, page 4 of 4
Column [D] end Column [E] : Scheckle JAC - 3, page 2 of 4
Column [F] : See Yahoo Finance, Growth Estimates - Next 5 Years - See Attachment 7
Column [G] : Average Columns [B] birrough [F]
Column [H] : Column [A] * (1 * (Column [G] * (0.5)))
Column [H] : Column [G] + Column [H]
Note: Low and high values for each base (mean / composite mean, and median / composite median) are highlighted.
NMF: Not Meaningful Figure

(Downloaded November 17, 2020)

CAPITAL ASSET PRICING MODEL -- PROXY COMPANY COST RATES

Line			[A] Risk Free	[B]	[C] Risk	[D]	[E]
No	Proxy Group Companies	Ticker	Rate	BETA	Premium	[B] * [C]	CAPM
1	Allete, Inc.	ALE	1.23%	0.85	7.40%	6.29%	7.51%
2	Ameren Corporation	AEE	1.23%	0.80	7.40%	5.92%	7.14%
3	American Electric Power Company	AEP	1.23%	0.75	7.40%	5.55%	6.78%
4	DTE Energy Company	DTE	1.23%	0.90	7.40%	6.66%	7.88%
5	Duke Energy Corporation	DUK	1.23%	0.85	7.40%	6.29%	7.51%
6	Exelon Corporation	EXC	1.23%	0.95	7.40%	7.03%	8.25%
7	Evergy, Inc.	EVRG	1.23%	1.00	7.40%	7.40%	8.62%
8	OGE Energy Corporation	OGE	1.23%	1.05	7.40%	7.77%	8.99%
9	Otter Tail Corporation	OTTR	1.23%	0.85	7.40%	6.29%	7.51%
10	PNM Resources, Inc.	PNM	1.23%	0.95	7.40%	7.03%	8.25%
11	Southern Company	so	1.23%	0.90	7.40%	6.66%	7.88%
12	Xcel Energy Inc.	XEL	1.23%	0.80	7.40%	5.92%	7.14%
13	Average			0.8875			7.80%
14	Median						7.70%
	20 year Treasury Bonds						
15	August 2020		1.14%				
16	September 2020		1.21%				
17	October 2020		1.34%				
18	Average		1.23%				
19	RUCO Risk-Free Ra	te		1.23%			

REFERENCES

Column [A]: United States Treasury Department - Attachment 2

https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yieldYear&year=2019

Column [B]: Value Line Investment Survey, Ratings & Reports (September 11, October 23, and November 13, 2020 -- See Attachment 1)

Note: Updated beta coefficients for PNM and XEL obtained from Value Line Investment Survey, Summary & Index (Sept. 11, 2020).

Column [C]: JAC - 4, Page 2 of 2

Column [D]: [B] * [C] Column [E]: [A] + [D]

STANDARD & POOR'S 500 COMPOSITE 20-YEAR U.S. TREASURY BOND YIELDS **RISK PREMIUMS**

DECE:		[A]	[B]	[C]	[D]	[E]
Line			MARKET NAME OF THE PARTY OF THE	(1202250)	20-YEAR	RISK
No.	Year	<u>EPS</u>	BVPS	ROE	T-BOND	PREMIUM
1	1977	277.50	\$79.07			
2	1978	\$12.33	\$85.35	15.00%	7.90%	7.10%
3	1979	\$14.86	\$94.27	16.55%	8.86%	7.69%
4	1980	\$14.82	\$102.48	15.06%	9.97%	5.09%
5 6	1981	\$15.36	\$109.43	14.50%	11.55%	2.95%
6	1982	\$12.64	\$112.46	11.39%	13.50%	-2.11%
7	1983	\$14.03	\$116.93	12.23%	10.38%	1.85%
8	1984	\$16.64	\$122.47	13.90%	11.74%	2.16%
9	1985	\$14.61	\$125.20	11.80%	11.25%	0.55%
10	1986	\$14.48	\$126.82	11.49%	8.98%	2.51%
11	1987	\$17.50	\$134.07	13.42%	7.92%	5.50%
12	1988	\$23.75	\$141.32	17.25%	8.97%	8.28%
13	1989	\$22.87	\$147.26	15.85%	8.81%	7.04%
14	1990	\$21.73	\$153.01	14.47%	8.19%	6.28%
15	1991	\$16.29	\$158.85	10.45%	8.22%	2.23%
16	1992	\$18.86	\$149.74	12.22%	7.26%	4.96%
17	1993	\$21.89	\$180.88	13.24%	7.17%	6.07%
18	1994	\$30.60	\$193.06	16.37%	6.59%	9.78%
19	1995	\$33.96	\$216.51	16.58%	7.60%	8.98%
20	1996	\$38.73	\$237.08	17.08%	6.18%	10.90%
21	1997	\$39.72	\$249.52	16.33%	6.64%	9.69%
22	1998	\$37.71	\$266.40	14.62%	5.83%	8.79%
23	1999	\$48.17	\$290.68	17.29%	5.57%	11.72%
24	2000	\$50.00	\$325.80	16.22%	6.50%	9.72%
25	2001	\$24.70	\$338.37	7.44%	5.53%	1.91%
26	2002	\$27.59	\$321.72	8.36%	5.59%	2.77%
27	2003	\$48.73	\$367.17	14.15%	4.80%	9.35%
28	2004	\$58.55	\$414.75	14.98%	5.02%	9.96%
29	2005	\$69.93	\$453.06	16.12%	4.69%	11.43%
30	2006	\$81.51	\$504.39	17.03%	4.68%	12.35%
31	2007	\$66.18	\$529.59	12.80%	4.86%	7.94%
32	2008	\$14.88	\$451.37	3.03%	4.45%	-1.42%
33	2009	\$50.97	\$513.58	10.56%	3.47%	7.09%
34	2010	\$77.35	\$579.14	14.16%	4.25%	9.91%
35	2011	\$86.95	\$613.14	14.59%	3.82%	10.77%
36	2012	\$86.51	\$666.97	13.52%	2.46%	11.06%
37	2013	\$100.20	\$715.84	14.49%	2.88%	11.61%
38	2014	\$102.31	\$726.96	14.18%	3.41%	10.77%
39	2015	\$86.53	\$740.29	11.79%	2.55%	9.24%
40	2016	\$94.55	\$768.98	12.53%	2.30%	10.23%
41	2017	\$109.88	\$807.04	13.94%	2.65%	11.29%
42	2018	\$132.39	\$841.26	16.06%	3.11%	12.95%
43	2019	\$139.47	\$892.65	16.09%	2.40%	13.69%
44	Average	Ψ100.41	ψ032,00	13.79%	6.39%	7.40%
2000	- Average			13.13/6	0.39 /6	1.40%

[A]:	Diluted earnings per share on the S&P 500 Composite Index.
[B]:	Book value per share on the S&P 500 Composite Index.

[[]B]: [C]: Average of current- and prior year [B] / current year [A].

[E]:

Sources for [A] and [B]: Standard & Poor's 2015 Analysts' Handbook and Standard & Poor's 500 Earnings and Book Value Per Share:

https://ycharts.com/indicators/reports/sp 500 earnings

https://ycharts.com/indicators/sandp 500 book value per share

Source for [D]: Morningstar 2015 Classic Yearbook (Table A-7) and

U.S. Department of the Treasury

https://www.treasury.gov/Pages/default.aspx

[[]D]: Annual income returns on 20-year U.S. Treasury bonds. [C] - [D]

COMPARABLE EARNINGS ANALYSIS

RETURN ON COMMON EQUITY FOR RUCO'S PROXY GROUP OF COMPANIES

											128	c.	Projected RDEs	538	10-Year	SYear	5-Year	5-Yr Combined
					100	Historical	al ROEs	:8	3	72	849		53		Historical	Historical	Projected	Historical &
Company	Ticker	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2023 -	Average 2010-2019	Average 2015-2019	Average 2020-2024	Projected Average
Allete, Inc.	ALE	7.7%	8.7%	8.1%	7.8%	7.8%	80.6	8.2%	7.7%	8.1%	7.7%	6.5%	7.5%	8.0%	8 1%	× × ×	7 3%	7 7 04
Ameren Corporation		8.6%	7.5%	8.8%	7.8%	8.7%	8.3%	9.2%	9.4%	10.7%	10.3%	9.5%	10.0%	10.0%	% 8.0 %	26.00	%8.6	%2. o
American Electric Power Company		9.1%	10.3%	8.5%	9.6%	9.7%	8.8%	11.9%	9.8%	10.1%	10.3%	10.5%	10.0%	10.5%	10.0%	10.4%	10.3%	10.4%
DTE Energy Company	DTE	9.4%	8.9%	8.0%	8.3%	10.9%	9.1%	9.6%	10.8%	10.9%	10.0%	10.5%	10.5%	11.0%	9.7%	10.1%	10.7%	10.4%
Duke Energy Corporation	DCK	7.8%	8.1%	5.2%	6.8%	7.2%	7.2%	6.2%	7.1%	6.7%	8.3%	8.0%	8.5%	8.5%	7.1%	7.1%	38.8	7 7%
Exelon Corporation	EXC	18.9%	17.3%	7.3%	8.7%	8.0%	8.8%	6.5%	8.8%	6.5%	9.1%	8.5%	8.5%	8.5%	10.0%	2.6%	85.5%	82%
Evergy, Inc.	EVRG									5.3%	7.8%	7.0%	8.0%	8.5%	HMN	6 8%	7 8%	%C L
OGE Energy Corporation	OGE	12.9%	13.4%	12.8%	12.8%	12.2%	10.2%	9.8%	10.0%	10.6%	10.9%	11.5%	12.0%	12.0%	11.6%	10.3%	11.8%	11 10%
Offer Tail Corporation	OTTR	2.0%	2.7%	7.3%	9.3%	9.9%	9.7%	9.3%	10.6%	11.3%	11.1%	10.0%	11.0%	11.5%	83%	10.4%	10.8%	10 B%
PNM Resources, Inc.	PNM	5.2%	6.2%	6.6%	6.8%	6.5%	7.1%	7.0%	9.1%	7.9%	10.9%	8.5%	%5 6	10.0%	7.3%	8 4%	% 0	760 8
Southern Company	80	12.2%	12.5%	12.8%	12.5%	12.5%	12.6%	11.0%	13.4%	12.5%	12.1%	12.0%	12.0%	12.5%	12 4%	10.3%	10.0%	12.2%
Xcel Energy Inc.	XEL	8.9%	9.9%	10.2%	%6.6 6	10.0%	10.0%	10.2%	10.2%	10.3%	10.4%	10.0%	10.0%	10.5%	10.0%	10.2%	10.2%	10.2%
Mean	: 25	9.3%	9.5%	8.9%	9.1%	9.4%	8.3%	9.0%	9.7%	92%	9.8%	9.4%	8.8%	10.1%	9.4%	9.3%	9.8%	9.50%
Median		8.9%	8.9%	8.8%	8.7%	8.7%	8.1%	9.3%	9.8%	10.2%	10.3%	9.8%	10.0%	10.3%	8.7%	9.8%	10.0%	10.00%

Source: Value Line Investment Survey, Retings & Reports (several issues - September 11, October 23, and November 13, 2020).

ECONOMIC INDICATORS

Line		Real GDP	Industrial Production	Unemploy-		TO PROVE A CUREOM
No	<u>Year</u>			ment	Consumer	Producer
INO	<u>rear</u>	Growth	Growth	Rate 982 Cycle	Price Index	Price Index
1	1975	-1.1%	-8.9%	THE RESIDENCE OF THE PARTY OF T	7.00/	0.00/
2	1976	5.4%	10.8%	8.5%	7.0%	6.6%
3	1977	5.5%	5.9%	7.7%	4.8%	3.7%
4	1978	5.0%	5.7%	7.0%	6.8%	6.9%
	1979			6.0%	9.0%	9.2%
5		2.8%	4.4%	5.8%	13.3%	12.8%
6 7	1980 1981	-0.2%	-1.9%	7.0%	12.4%	11.8%
8		1.8%	1.9%	7.5%	8.9%	7.1%
0	1982	-2.1%	-4.4%	9.5%	3.8%	3.6%
9	1983	4.0%		91 Cycle	0.00	0.007
10	1984		3.7%	9.5%	3.8%	0.6%
11	1985	6.8%	9.3%	7.5%	3.9%	1.7%
		3.7%	1.7%	7.2%	3.8%	1.8%
12	1986	3.1%	0.9%	7.0%	1.1%	-2.3%
13	1987	2.9%	4.9%	6.2%	4.4%	2.2%
14	1988	3.8%	4.5%	5.5%	4.4%	4.0%
15	1989	3.5%	1.8%	5.3%	4.6%	4.9%
16	1990	1.8%	-0.2%	5.6%	6.1%	5.7%
17	1991	-0.5%	-2.0%	6.8%	3.1%	-0.1%
		Tallaca S	1992 - 20		17.000 1620 5610/	
18	1992	3.0%	3.1%	7.5%	2.9%	1.6%
19	1993	2.7%	3.4%	6.9%	2.7%	0.2%
20	1994	4.0%	5.5%	6.1%	2.7%	1.7%
21	1995	3.7%	4.8%	5.6%	2.5%	2.3%
22	1996	4.5%	4.3%	5.4%	3.3%	2.8%
23	1997	4.5%	7.3%	4.9%	1.7%	-1.2%
24	1998	4.2%	5.8%	4.5%	1.6%	0.0%
25	1999	3.7%	4.5%	4.2%	2.7%	2.9%
26	2000	4.1%	4.0%	4.0%	3.4%	3.6%
27	2001	1.1%	-3.4%	4.7%	1.6%	-1.6%
			2002 - 20			
28	2002	1.8%	0.2%	5.8%	2.4%	1.2%
29	2003	2.8%	1.2%	6.0%	1.9%	4.0%
30	2004	3.8%	2.3%	5.5%	3.3%	4.2%
31	2005	3.3%	3.2%	5.1%	3.4%	5.4%
32	2006	2.7%	2.2%	4.6%	2.5%	1.1%
33	2007	1.8%	2.5%	4.6%	4.1%	6.2%
34	2008	-0.1%	-3.5%	5.8%	0.1%	-0.9%
35	2009	-2.5%	-11.5%	9.3%	2.7%	4.3%
			Current			
36	2010	2.6%	5.5%	9.6%	1.5%	4.7%
37	2011	1.6%	3.1%	8.9%	3.0%	6.9%
38	2012	2.2%	3.0%	8.1%	1.7%	1.6%
39	2013	1.8%	2.0%	7.4%	1.5%	0.8%
40	2014	2.5%	3.1%	6.2%	0.8%	1.2%
41	2015	3.1%	-1.0%	5.3%	0.7%	-4.3%
42	2016	1.7%	-2.0%	4.9%	2.1%	-1.4%
43	2017	2.3%	2.3%	4.4%	2.1%	3.3%
44	2018	3.0%	3.9%	3.9%	1.9%	3.4%
45	2019	2.2%	0.8%	3.7%	2.3%	0.4%

Source: Council of Economic Advisors, Economic Indicators, various issues.

ECONOMIC INDICATORS

In and		Real	Industrial	Unemploy-	\$2000000000000000000000000000000000000	II D. DAGO V. DAGO CO.
Line <u>No</u>	Year	GDP* Growth	Production Growth	ment	Consumer	Producer
1	2007	Growth	Growth	Rate	Price Index	Price Index
2	1st Qtr.	0.9%	2.5%	4.5%	4.8%	6.4%
3	2nd Qtr.	3.2%	1.6%	4.5%	5.2%	6.8%
4	3rd Qtr.	2.3%	1.8%	4.6%	1.2%	1.2%
5 6	4th Qtr.	2.9%	1.7%	4.8%	0.6%	6.5%
6	2008					ANTIGRATA
7	1st Qtr.	-1.8%	1.9%	4.9%	2.8%	9.6%
8	2nd Qtr.	1.3%	0.2%	5.3%	7.6%	14.0%
9	3rd Qtr.	-3.7%	-3.0%	6.0%	2.8%	-0.4%
10	4th Qtr.	-8.9%	6.0%	6.9%	-13.2%	-28.4%
11	2009					
12	1st Qtr.	-5.3%	-11.6%	8.1%	2.4%	-0.4%
13	2nd Qtr.	-0.3%	-12.9%	9.3%	3.2%	9.2%
14	3rd Qtr.	1.4%	-9.3%	9.6%	2.0%	-0.8%
15 16	4th Qtr. 2010	4.0%	-4.5%	10.0%	2.5%	8.8%
17	1st Qtr.	1.6%	2.7%	9.7%	0.004	0.504
18	2nd Qtr.	3.9%	6.5%	9.7%	0.9% -1.2%	6.5%
19	3rd Qtr.	2.8%	6.9%	9.6%	2.8%	-2.4% 4.0%
20	4th Qtr.	2.8%	6.2%	9.6%	2.8%	9.2%
21	2011	2.070	0,2,70	0.075	2.070	0.2.70
22	1st Qtr.	-1.5%	5.4%	9.0%	4.8%	9.6%
23	2nd Qtr.	2.9%	3.6%	9.0%	3.2%	3.6%
24	3rd Qtr.	0.8%	3.3%	9.1%	2.4%	6.4%
25	4th Qtr.	4.6%	4.0%	8.7%	0.4%	-1.2%
26	2012					
27	1st Qtr.	2.3%	4.5%	8.3%	3.2%	2.0%
28	2nd Qtr.	1.6%	4.7%	8.2%	0.0%	-2.8%
29	3rd Qtr.	2.5%	3.4%	8.1%	4.0%	9.6%
30	4th Qtr.	0.1%	2.8%	7.8%	0.0%	-3.6%
31	2013	1000000	260000000	V=4506297)		
32	1st Qtr.	1.9%	2.5%	7.7%	2.0%	1.2%
33 34	2nd Qtr.	1.1%	2.0%	7.6%	1.2%	2.4%
35	3rd Qtr. 4th Qtr.	3.0% 3.8%	2.6% 3.3%	7.3%	1.6%	0.0%
36	2014	3.076	3.376	7.0%	1.2%	0.3%
37	1st Qtr.	-1.2%	3.2%	6.6%	1.6%	0.3%
38	2nd Qtr.	4.0%	4.2%	6.2%	3.6%	0.2%
39	3rd Qtr.	5.0%	4.7%	6.1%	0.0%	0.0%
40	4th Qtr.	2.3%	4.5%	5.7%	-2.8%	-0.8%
41	2015					25.280
42	1st Qtr.	3.2%	3,5%	5.6%	-0.2%	-2.3%
43	2nd Qtr.	2.7%	1.5%	5.4%	0.6%	1.2%
44	3rd Qtr.	1.6%	1.1%	5.2%	0.0%	-1.8%
45	4th Qtr.	0.5%	-0.8%	5.0%	0.2%	-0.9%
46	2016	Namazanan	viaretnorary			
47	1st Qtr.	1.5%	-1.7%	4.9%	1.1%	-2.7%
48	2nd Qtr.	2.3%	-1.3%	4.9%	1.0%	-2.2%
49 50	3rd Qtr.	1.9%	-1.2%	4.9%	1.1%	-1.5%
51	4th Qtr. 2017	1.8%	-0.1%	4.7%	1.8%	0.9%
52	1st Qtr.	1.8%	0.6%	4.7%	2.5%	2.70/
53	2nd Qtr.	3.0%	2.2%	4.7%	1.9%	3.7% 3.1%
54	3rd Qtr.	2.8%	1.6%	4.3%	1.9%	2.9%
55	4th Qtr.	2.3%	3.5%	4.1%	2.1%	3.6%
56	2018	2.070	0.570	7.170	2.170	3.0.70
57	1st Qtr.	3.8%	3.5%	4.1%	1.7%	3.2%
58	2nd Qtr.	2.7%	3.3%	3.9%	2.3%	3.9%
59	3rd Qtr.	2.1%	4.9%	3.8%	1.3%	3.9%
60	4th Qtr.	1.3%	3.9%	3.8%	1.0%	2.5%
61	2019	CNG/550	Section 2	U-0.000 (\$500)	acritta:	50.50.5
62	1st Qtr.	2.9%	2.9%	3.9%	0.2%	0.8%
63	2nd Qtr.	1.5%	1.1%	3.6%	0.2%	0.8%
64	3rd Qtr.	2.6%	0.2%	3.6%	0.2%	-0.1%
65	4th Qtr.	2.4%	-0.7%	3.5%	0.2%	0.2%
66	2020					
67	1st Qtr.	-5.0%	-1.9%	3.8%	-0.1%	0.2%
68	2nd Qtr.	-31.4%	-14.4%	13.0%	-0.1%	-3.7%
69	3rd Qtr.	33.1%		8.8%		
70	4th Qtr.					

^{*}GDP=Gross Domestic Product

Source: Council of Economic Advisors, Economic Indicators, various issues.

INTEREST RATES

			US Treasury	US Treasury	Utility	Utility	Utility	Utility
Line		Prime	T Bills	T Bonds	Bonds	Bonds	Bonds	Bonds
No	Year	Rate	3 Month	10 Year	Aaa	Aa	A	Baa
1	1975	7.86%	5.84%	7.99%	9.03%	9.44%	10.09%	10.96%
	1976	6.84%	4.99%	7.61%	8.63%	8.92%	9.29%	9.82%
2 3 4	1977	6.83%	5.27%	7.42%	8.19%	8.43%	8.61%	9.06%
4	1978	9.06%	7.22%	8.41%	8.87%	9.10%	9.29%	9.62%
5	1979	12.67%	10.04%	9.43%	9.86%	10.22%	10.49%	10.96%
6	1980	15.27%	11.51%	11.43%	12.30%	13.00%	13.34%	13.95%
7	1981	18.89%	14.03%	13.92%	14.64%	15.30%	15.95%	16.60%
8	1982	14.86%	10.69%	13.01%	14.22%	14.79%	15.86%	16.45%
9	1983	10.79%	8.63%	11.10%	12.52%	12.83%	13.66%	14.20%
10	1984	12.04%	9.58%	12.46%	12.72%	13.66%	14.03%	14.53%
11	1985	9.93%	7.48%	10.62%	11.68%	12.06%	12.47%	12.96%
12	1986	8.33%	5.98%	7.67%	8.92%	9.30%	9.58%	10.00%
13	1987	8.21%	5.82%	8.39%	9.52%	9.77%	10.10%	10.53%
14	1988	9.32%	6.69%	8.85%	10.05%	10.26%	10.49%	11.00%
15	1989	10.87%	8.12%	8.49%	9.32%	9.56%	9.77%	9.97%
16	1990	10.01%	7.51%	8.55%	9.45%	9.65%	9.86%	10.06%
17	1991	8.46%	5.42%	7.86%	8.85%	9.09%	9.36%	9.55%
18	1992	6.25%	3.45%	7.01%	8.19%	8.55%	8.69%	8.86%
19	1993	6.00%	3.02%	5.87%	7.29%	7.44%	7.59%	7.91%
20	1994	7.15%	4.29%	7.09%	8.07%	8.21%	8.31%	8.63%
21	1995	8.83%	5.51%	6.57%	7.68%	7.77%	7.89%	8.29%
22	1996	8.27%	5.02%	6.44%	7.48%	7.57%	7.75%	8.16%
23	1997	8.44%	5.07%	6.35%	7.43%	7.54%	7.60%	7.95%
24	1998	8.35%	4.81%	5.26%	6.77%	6.91%	7.04%	7.26%
25	1999	8.00%	4.66%	5.65%	7.21%	7.51%	7.62%	7.88%
26	2000	9.23%	5.85%	6.03%	7.88%	8.06%	8.24%	8.36%
27	2001	6.91%	3.44%	5.02%	7.47%	7.59%	7.78%	8.02%
28	2002	4.67%	1.62%	4.61%	1	[1] 7.19%	7.37%	8.02%
29	2003	4.12%	1.01%	4.01%		6.40%	6.58%	6.84%
30	2004	4.34%	1.38%	4.27%		6.04%	6.16%	6.40%
31	2005	6.19%	3.16%	4.29%		5.44%	5.65%	5.93%
32	2006	7.96%	4.73%	4.80%		5.84%	6.07%	6.32%
33	2007	8.05%	4.41%	4.63%		5.94%	6.07%	6.33%
34	2008	5.09%	1.48%	3.66%		6.18%	6.53%	7.25%
35	2009	3.25%	0.16%	3.26%		5.75%	6.04%	7.06%
36	2010	3.25%	0.14%	3.22%		5.24%	5.46%	5.96%
37	2011	3.25%	0.06%	2.78%		4.78%	5.04%	5.57%
38	2012	3.25%	0.09%	1.80%		3.83%	4.13%	4.86%
39	2013	3.25%	0.06%	2.35%		4.24%	4.47%	4.98%
40	2014	3.25%	0.03%	2.54%		4.19%	4.28%	4.80%
41	2015	3.27%	0.06%	2.14%		4.00%	4.12%	5.03%
42	2016	3.51%	0.33%	1.84%		3.73%	3.93%	4.68%
43	2017	4.13%	0.94%	2.33%		3.82%	4.00%	4.38%
44	2018	4.96%	1.94%	2.91%		4.09%	4.25%	4.67%
45	2019	5.25%	2.09%	2.14%		3.61%	3.77%	4.19%

[1] Note: Moody's has not published Aaa utility bond yields since 2001.

Sources: Council of Economic Advisors, Economic Indicators; Mergent Bond Record; Federal Reserve Bulletin; various issues.

		SS	US Treasury	1	Moody's Rated	202				US Treasury	esury		Moody's Rated	- 1				USTR	US Treasury		Moody's Rated	
	Prima	TRITE	T Ronde	Ronde	Condy	Condo	2000			1		Utility	Cellity		0000000		20000000	CHECKER I	CONTRACTOR OF	Deliley	Utility	CEI
	Rate	3 Month	10 Year	Az	A A	Bas	2		Pate	2 Month	1 Honds		Sonds	Sonds	2		Printe	TBIIIs	T Bonds	Bonds	Bonds	Sonds
50	TO SECOND			1	ď		-	2013			200		a		- N	2017	Rate	Month	10 Year	7	۷I	d
2	3.25%	0.12%	2.52%	6.01%	6.39%	7.90%	CV.	Jan	3,25%	0.07%	1,93%	3,90%	4.15%	4.65%	N	rac Car	3.75%	0.52%	2,43%	3.96%	4.14%	4.6
Q 1	8.25% 9.75%	0.31%	2.87%	6,11%	6.30%	7.74%	eo •	. Feb	3,25%	0.10%	1.98%	3.95%	4,18%	4.74%	60	100	3.75%	0.53%	2.42%	3.99%	4,18%	4.58%
. ,	2000	0.178	2000	0 200	0.4275	6,000 g	or le	Mar	3.25%	0.08%	1.96%	3,90%	4,15%	4.65%	4	Mar	4.00%	0.72%	2.48%	4,04%	4.23%	4.8
Mey	3.25%	0.15%	3.29%	6.23%	6.49%	7 75.00	o 4	1 1	9.056	2000	1,70%	8470	20.5	4,49%	0	Ą,	4,00%	0.81%	2,30%	3.93%	4.12%	4.5
huse	3.25%	0.17%	3.72%	6.13%	6.20%	7.30%	7	and a	3.25%	0.05%	230%	4.07%	P SEE S	4.00% A 08%	א ם	Mey	4.00%	0.89%	2.30%	35 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6	4.12%	4.5
July	3.26%	0.19%	3.56%	5.63%	5.87%	6.87%	60	Alle	3.25%	0.04%	2 68%	4 44%	4.68%	A 2444	- a	ij.	4.20%	2000	219%	8000	3.00°C	4
0.	3.25%	0.18%	3.59%	5,33%	6.71%	6.36%	. o	Aug	3000	0.04%	2.74%	45.3%	47.3%	5 28%	0 0	g of	A 259C	1,00%	737.5	4.00.76	3,88%	4
75	3,25%	0.13%	3.40%	5.15%	5,53%	6.12%	10	Sept	3.25%	0.02%	2.81%	4.58%	4 80%	A 24 P.	. 5	2 8	A 250k	- PARK	2 2 2 2 2 2	2000	200%	24
ĕ	3,25%	0.08%	3.39%	5.23%	5,55%	6.14%	11	ŏ	3.25%	0.06%	2.62%	4.48%	4 70%	5.17%	÷	ł	4 2 May	7000	2 2692	3 7485	2000	f
Non	3.25%	0.05%	3,40%	5.33%	5.64%	6.18%	12	Nov	3,25%	0.07%	272%	4.86%	4 T. W.	5.24%	12	No.	4 25%	1 25%	7 35%	0.71% 0.6562	2 2 2 20.	4 4
92	3,25%	0.07%	3,59%	6.52%	5,79%	6.28%	13	8	3.25%	0.07%	2.90%	4.59%	4,81%	5.25%	5	Sec	4.50%	13.0%	2,40%	362%	3,72%	1 4
2010							4.	2014							4	2018			221			
Jan	325%	0.06%	3.73%	5.55%	5.77%	8.18%	15	USD.	3.25%	0.05%	2.86%	4.44%	4.63%	5.09%	\$	rel C	4,50%	1.43%	2.58%	3.69%	3.85%	4.38
3	3.25%	0.10%	3,69%	5,69%	6.87%	6.25%	9	Feb	3.25%	D.06%	271%	4.38%	4.53%	5.01%	16	Se Co	4.50%	1.59%	2.86%	3.94%	4.09%	4.4
18	200	0.15%	3.78%	5.64%	5.84%	8.22%	11	Mar	3.25%	0.05%	2,72%	4,40%	4.51%	5.00%	1	Mer	4.75%	1,73%	2.84%	3.97%	4.13%	4.52
ă i	807.0	0.15%	3.86%	5.62%	5.81%	6,19%	90	Ap	\$.25%	0.04%	27.8	4.30%	4.41%	4.85%	92	Apr	4.75%	1.79%	2.87%	3.95%	4.17%	4.5
way	2000	0,16%	3.42%	5.29%	5.50%	5,97%	5	Way	3.25%	0.03%	2.55%	4,18%	4.26%	4,69%	Ç0	May	4.75%	1.99%	2,98%	4.10%	4.28%	4.7
2 2	2 2500	0.169	2000	0.4679	0.40%	d. 18%	R (The s	3.25%	0.03%	2.60%	4.23%	4.29%	4,73%	23	ş	5.00%	4.848	2.91%	4.11%	4.27%	47
5 0	326%	0.15%	277.00	A 75%	2000	D. W. C. C.	2 8	(C)	8228	\$ 000 C	254%	4.18%	4.23%	4.66%	۲,	3.	5.00%	1.99%	2.89%	4.10%	4.27%	4.6
. 10	3 25%	0.15%	2868	47696	2000	2000	3 8	į	2000	0.03%	2.42%	\$ 10.4	4.13%	4.65%	81	Aug	5.00%	2.07%	2.85%	4.08%	426%	4.5
Oct	325%	0.13%	2.54%	4.89%	5,10%	5.62%	2 2	8	3.25%	0.02%	230%	200 F	4 75%	4.1978	3 3	3 8	5.25%	2.17%	3.00%	4,78%	4.32%	4.74%
	3.25%	0.13%	2.76%	5,12%	5.37%	5.85%	32	Nov	3.25%	0.02%	233%	4.03%	75007	4 75%	ŧ %	5 2	5.40 M	Sec. C	15 TO 10 TO	4.31%	4,45%	de d
0	3.25%	0.15%	3.28%	5.32%	5.56%	6.04%	26	Dec	3.25%	0.04%	2.21%	3,90%	3,95%	4.70%	8	2 2	5.50%	3476	2000	4.26%	4.3678	5 6 6 4
	NEW YORK			178097			22	2015							12	2019					2	1
Jan	3.25%	0.15%	3,395%	6.29%	5.57%	6.06%	28	Jan	3.25%	0.03%	1.83%	3.52%	3.58%	4,39%	28	Jan	5.50%	2.42%	271%	4,18%	4.35%	4.9
^	3,26%	0.14%	3.58%	5.42%	5.68%	6.10%	83	Teb	3.25%	0.02%	1.98%	3.82%	3.67%	4,44%	28	品	5.50%	244%	2.68%	4.05%	4.25%	4.76
i.	375	24.17	3.41%	0,33%	5.56%	5.87%	8	Mer	3.25%	0.03%	204%	3,67%	3.74%	4.51%	30	Mar	5,50%	2.45%	257%	3.08%	4.16%	4.65
	92000	0.00%	10 to	5.32%	2000	5.98%	F	Ap.	3.25%	0.02%	4.94%	3.63%	3.75%	4,51%	e g	Apr	5.50%	2.43%	2.53%	3,91%	4.08%	4.55
	2 2585	2 2 2	3.1736	5.05%	5.35%	5.74%	8 1	May.	3.25%	0.02%	2.20%	4.05%	4.17%	4.91%	32	May	5.50%	2.40%	2.40%	3,84%	3.88%	4.47
0 5	425%	2000	3000	R Selection of the sele	0.20%	0.00738	8 9	Sure Life	3.25%	0.02%	238%	4.29%	4.39%	5.13%	R	F.	5.50%	2.22%	2.07%	3.65%	3.82%	4.31%
Aug	3.25%	0.05%	2.30%	4.44%	4.89%	522%	\$ \$	A A	2 200	2000	2,32%	2712	4.40%	200	3 ;	9.	5.50%	2.15%	2.06%	3.53%	3.69%	4.1
14	3.25%	0.02%	1.98%	4.24%	4.48%	5.11%	3 %	2 3	3.25%	0.02%	1 - 1 - 0 2 - 1 - 2 3 - 1 - 2	4 2592	4.2076	5.23%	8 8	Sale a	9,20%	1.99%	1,653%	3.17%	3.29%	3.6
	3.25%	0.02%	2.15%	4.21%	4.52%	5.24%	37	ğ	3.25%	0.02%	2.07%	4.13%	4.25%	5475	3 8	1 8	4 75%	Sec.	4 74%	2000	9 9000	3 6
1	3.25%	0.01%	201%	3.92%	4.25%	4,93%	8	Nov	3.25%	0.13%	2.26%	4.22%	4.40%	5.57%	8	Nov	4.75%	2,04%	7.81%	3.25%	2,43%	378
	3,25%	0.02%	1,08%	4.00%	4 33%	5,07%	8	Dec	3.50%	0,23%	2.24%	4.18%	4.35%	5.55%	89	Dec	4.75%	1.57%	1.86%	3.22%	3,40%	3.73
7 9	2 250	2000	1	2000	200	2000	8	2016							5	2020						
1 6	2020	2000	1070	200	200	8,000	£ 5	ug.	3.50%	2000	2.08%	4.05%	4.27%	5,48%	4	드	4.75%	1.55%	1.75%	3.12%	3,29%	3.60
Mar	3.25%	0.09%	217%	4.16%	4.48%	5,13%	4 4		2000	3515.0 3805.0	1,76%	2 0.30	4.11%	5.28%	ą ę	90	4.75%	1,64%	1.50%	2.86%	3,11%	34
10	3.25%	0.08%	2.06%	4.10%	4,40%	5.11%	1	Apr	3.50%	239%	200	374%	200 P	4.75%	9 3	2 4	2 250	0.30%	0.87%	2000	3,50%	16 6
May	3.25%	0.08%	1.80%	3,92%	4.20%	4.97%	45	May	3.50%	0.27%	1.81%	3.65%	3.93%	4.60%	4	May	3.25%	0.13%	0.67%	2 89%	3,14%	1 6
une	3.25%	0,08%	1.62%	3,79%	4.08%	*61%	8	Jun	3,50%	0.27%	1.64%	3.56%	3.78%	4,47%	4	Jun	3,25%	0.18%	0.73%	2.80%	307%	NA B
>-	3.25%	0.10%	1,53%	3,58%	3.93%	4.85%	4	3	3.50%	0.30%	1.50%	3.36%	3.57%	4.16%	47	ij	3.25%	0.13%	0.82%	2,46%	274%	000
Aug	3.25%	0,11%	1,68%	3.65%	4.00%	4,88%	48	Aug	3.50%	0.30%	1.56%	3.39%	3.59%	4.20%	48	Aug	3,25%	0.10%	0.65%	2.48%	273%	3,06
5	3.25%	0.10%	200	3.69%	4,02%	4.81%	9	8	3.50%	0.25%	1.63%	3.47%	3.66%	4.27%	\$	Sep	3.25%	0.11%	0.68%	2.62%	2.84%	3.17%
ğ j	3.25%	9601.0	1.76%	S.68%	3,97%	4.54%	8 :	8	3.50%	0.33%	1,76%	3,59%	3.77%	4.34%	8	8	3,25%	0,10%	0.79%	272%	2.95%	3.2
2000	3.40%	2 7.5	0,00.1	0000	N 146.35	A 42.7%	2	- Similar	2000	A ALPK	2014	20000	4 00000	4 00 400	-		1000	The special of			0.0000000000000000000000000000000000000	0
	-	10000000						ACK	d'ann	6.40.70	Z. 1470	5.C.	4.00%	4.547	5	Nov	3,20%	0.08%	0.87%	263%	2.85%	,

(1) Note: Moody's has not published Assa utility bond yestis since 2001. Sources: Council of Economic Advisors, Economic Indicators; Mergert Bond Record; Faceral Reserve Bulletin various issues.

STOCK PRICE INDICATORS

					S&P	S&P
Line		S&P	NASDAQ		Dividend/Price	Earnings/Price
No	Year	Composite	Composite	DJIA	Ratio	Ratio
1	1975			802.49	4.31%	9.15%
2 3 4 5	1976			974.92	3.77%	8.90%
3	1977			894.63	4.62%	10.79%
4	1978			820.23	5.28%	12.03%
	1979			844.40	5.47%	13.46%
6 7	1980			891.41	5.26%	12.66%
	1981			932.92	5.20%	11.96%
8	1982			884.36	5.81%	11.60%
9	1983			1,190.34	4.40%	8.03%
10	1984			1,178.48	4.64%	10.02%
11	1985			1,328.23	4.25%	8.12%
12	1986			1,792.76	3.49%	6.09%
13	1987			2,275.99	3.08%	5.48%
14	1988			2,060.82	3.64%	8.01%
15	1989	322.84		2,508.91	3.45%	7.41%
16	1990	334.59		2,678.94	3.61%	6.47%
17	1991	376.18	491.69	2,929.33	3.24%	4.79%
18	1992	415.74	599.26	3,284.29	2.99%	4.22%
19	1993	451.21	715.16	3,522.06	2.78%	4.46%
20	1994	460.42	751.65	3,793.77	2.82%	5.83%
21	1995	541.72	925.19	4,493.76	2.56%	6.09%
22	1996	670.50	1,164.96	5,742.89	2.19%	5.24%
23	1997	873.43	1,469.49	7,441.15	1.77%	4.57%
24	1998	1,085.50	1,794.91	8,625.52	1.49%	3.46%
25	1999	1,327.33	2,728.15	10,464.88	1.25%	3.17%
26	2000	1,427.22	2,783.67	10,734.90	1.15%	3.63%
27	2001	1,194.18	2,035.00	10,189.13	1.32%	2.95%
28	2002	993.94	1,539.73	9,226.43	1.61%	2.92%
29	2003	965.23	1,647.17	8,993.59	1.77%	3.84%
30	2004	1,130.65	1,986.53	10,317.39	1.72%	4.89%
31	2005	1,207.06	2,099.03	10,547.67	1.83%	5.36%
32	2006	1,310.67	2,265.17	11,408.67	1.87%	5.78%
33	2007	1,476.66	2,577.12	13,169.98	1.86%	5.29%
34	2008	1,220.89	2,162.46	11,252.61	2.37%	3.54%
35	2009	946.73	1,841.03	8,876.15	2.40%	1.86%
36	2010	1,139.31	2,347.70	10,662.80	1.97%	6.04%
37	2011	1,268.89	2,680.42	11,966.36	1.99%	6.77%
38	2012	1,379.56	2,965.77	12,967.08	2.09%	6.20%
39	2013	1,642.51	3,537.69	14,999.67	2.08%	5.57%
40	2014	1,930.67	4,374.31	16,773.99	1.94%	5.25%
41	2015	2,061.20	4,943.49	17,590.61	2.05%	4.59%
42	2016	2,092.39	4,982.49	17,908.08	2.18%	4.17%
43	2017	2,448.22	6,231.28	21,741.91	1.97%	4.22%
44	2018	2,744.68	7,419.27	25,045.75	1.90%	4.67%
45	2019	2,912.50	7,936.85	26,378.41	1.93%	4.53%

Source: Council of Economic Advisors, Economic Indicators, various issues. https://www.gpo.gov/fdsys/browse/collection.action?collectionCode=ECONI

STOCK PRICE INDICATORS

Description	Line		S&P	NASDAQ		S&P Dividends/Price	S&P Earnings/Price
2 1st Otr. 1,495.30 2,444.85 12,470.97 1,84% 5,85% 6,85% 3 2nd Otr. 1,496.43 2,552.37 13,214.26 1,86% 5,15% 5,65% 6 10 10 1,490.43 2,559.68 13,488.43 1,86% 5,15% 5,65% 6 10 10 1,490.43 2,509.68 13,488.43 1,86% 5,15% 4,51% 6 10 10 1,490.43 2,509.68 13,488.43 1,86% 5,15% 4,51% 6 10 10 1,490.43 2,509.68 13,488.43 1,86% 5,15% 4,51% 6 10 10 10 10 10 10 10 10 10 10 10 10 10	No	2007	Composite	Composite	DJIA	Ratio	Ratio
3 2rd Otr. 1,490.81 2,592.97 13,214.26 182% 6,65% 43 0tr. 1,490.81 2,509.86 13,488.43 1,66% 6,15% 45.11% 48.01 1,490.81 2,509.86 13,488.43 1,66% 6,15% 45.11% 48.01 1,490.81 2,701.59 13,502.85 1,91% 4,51% 45.11% 48.01 1,490.81 2,701.59 13,502.85 1,91% 4,51% 45.91% 49.01% 1,371.85 2,426.26 12,508.59 2,10% 4,05% 3,94% 10 1,225.194 2,200.87 11,322.40 2,29% 3,94% 10 1,400.81 1,225.194 2,200.87 11,322.40 2,29% 3,94% 10 1,400.81 1,225.194 2,200.87 11,322.40 2,29% 1,80% 1,80% 1,20% 1					TO AN TANAMATON MA	127794730437	
5 Alb Old. 7 140 Old.	2						
5 Alb Old. 7 140 Old.	4						
7 140 Ctr. 1,350,19 2,332,91 12,383,86 2,11% 4,55% 8 2nd Ctr. 1,251,94 2,200,87 11,322,40 2,29% 3,94% 10.8 10.8 10.8 10.8 10.8 10.8 10.8 10.8	5						
7 140 Ctr. 1,350,19 2,332,91 12,383,86 2,11% 4,55% 8 2nd Ctr. 1,251,94 2,200,87 11,322,40 2,29% 3,94% 10.8 10.8 10.8 10.8 10.8 10.8 10.8 10.8	6		1,454.05	2,701.35	13,302,93	1.91%	4.5170
8 2nd Otr. 1,371,65 2,426,26 12,508,59 2,10% 4,05% 3,94% 10 20 20 30 1,599,64 8,785,61 2,29% 3,94% 10 10 2nd	7		1.350.19	2 332 91	12 383 86	2 11%	4 55%
9 3rd Cir. 1,281,94 2,290,87 11,322,40 2,29% 1,68% 1,68% 110 4h Cir. 909,80 1,599,64 8,795,61 2,88% 1,68% 111 200r. 802,31 1,485,14 7,774,06 3,00% 0,88% 1,6	8						
10							
112 1st Ctr. 809.31 1.485.14 7,774.66 3.00% 0.86% 0.86% 1.360 Ctr. 802.23 1.731.41 8,327.83 2.46% 1.19% 1.19% 1.19% 1.200 1.088.70 2.162.33 10.172.76 1.98% 4.57% 1.19% 1.19% 1.200 1.088.70 2.162.33 10.172.76 1.98% 4.57% 1.19% 1.	10	4th Qtr.	909.80				
13							
14 3rd Or. 996.68 1.985.25 9.229.3 2.16% 1.99% 4.57% 16 2010 1.088.70 2.162.33 10,172.76 1.99% 4.57% 16 2010 1.131.00 1.121.60 2.274.88 10,454.42 1.94% 5.21% 18 2nd Or. 1,135.25 2.343.40 10,570.54 1.97% 6.51% 6.51% 6.51% 19.37 Or. 1,086.39 2.237.97 10,380.24 2.09% 6.30% 6.30% 10.770.54 1.97% 6.51% 6.51% 19.370 Or. 1,204.00 2.534.62 11.236.02 1.95% 6.15% 6.15% 11.236.02 1.95% 6.15% 6.15% 11.236.02 1.95% 6.15% 11.236.02 1.95% 6.15% 6.15% 6.15% 6.15% 11.236.02 1.95% 6.15							0.86%
16					Altrophysics (Company)		
16							
17			1,088.70	2,162.33	10,172.78	1.99%	4.57%
18			1 131 60	2 274 00	10.454.40	4 0 4 10 /	E 0400
19 3rd Otr. 1,096,39 2,237.97 10,390.24 2,09% 6,30% 2,211 2011 2011 2011 2,201							
20							
22 18t Otr. 1,302,74 2,741,01 12,024,62 1,85% 6,13			0.0000000000000000000000000000000000000				
22					VINARANTARA	0.000.00	0.1070
23	22	1st Qtr.	1,302.74	2,741.01	12,024.62	1.85%	6.13%
26			1,319.04	2,766.64	12,370.73	1.97%	6.35%
26					11,671.47	2.15%	7.69%
27			1,225.65	2,600.91	11,798.65	2.25%	6.91%
28			4 247 44	0.000.00	40.000.00	- 40W	723200
29 3rd Otr.							
30							
2013 2014 32 1st Qtr. 1.514.41 3.177.10 14.000.30 2.21% 5.59% 3.30 2nd Qtr. 1.609.77 3.369.49 14.961.28 2.15% 5.66% 3.40 3.70 Qtr. 1.676.31 3.643.63 15.255.25 2.14% 5.65% 3.565 2014 3.70 Qtr. 3.960.54 3.960.54 3.5751.96 2.06% 5.42% 3.70 Qtr. 3.960.54 3.960.54 3.5751.96 2.06% 5.42% 3.960.54 3.970.50 3.980.54 3.5751.96 2.06% 5.42% 3.980.54 3.980.54 3.5751.96 2.06% 5.42% 3.980.54 3.980.54 3.980.55 2.04% 5.39% 3.980 Qtr. 1.900.37 4.195.81 16.603.50 2.06% 5.26% 5.26% 3.980 Qtr. 1.900.37 4.195.81 16.603.50 2.06% 5.26% 5.26% 4.400.88 17.368.36 2.03% 4.97% 4.100 Qtr. 2.012.04 4607.88 17.368.36 2.03% 4.97% 4.10 Qtr. 2.026.34 4.821.99 17.806.47 2.02% 4.80% 4.370 Qtr. 2.026.34 4.921.81 17.065.52 2.16% 4.72% 4.370 Qtr. 2.026.34 4.921.81 17.065.52 2.16% 4.72% 4.23% 4.20% 4.20% 4.20% 4.20% 4.23% 4.20% 4							
231 2nd Qtr. 1,609.77 3,369.49 14,961.28 2,15% 5,66% 5,66% 37 Qtr. 1,675.31 3,643.63 15,525.25 2,14% 5,65% 5,42% 36 2014				A PART HOLD	10.1.2.0.	2.2074	0.0170
33	32	1st Qtr.	1,514.41	3,177.10	14,000.30	2.21%	5.59%
35			1,609.77	3,369.49	14,961.28	2.15%	5.66%
36					15,255.25	2.14%	5.65%
1st Otr.			1,770.45	3,960.54	15,751.96	2.06%	5.42%
38 2nd Qtr. 1,900.37 4,195.81 16,603.55 2.06% 5.26% 39 3rd Qtr. 1,975.95 4,483.51 16,953.85 2.03% 5,36% 40 4th Qtr. 2015 2015 202% 5,36% 41 2015 2016 202% 4,80% 42 1st Qtr. 2102.03 5017.47 18007.48 2.05% 4,60% 43 2nd Qtr. 2,026.14 4,921.81 17,065.52 2,16% 4,72% 45 4th Qtr. 2,026.14 4,921.81 17,065.52 2,16% 4,72% 46 4th Qtr. 2,053.17 5,000.70 17,482.97 2,16% 4,23% 46 2016 2016 2,074.99 4,845.55 17,763.85 2,19% 4,14% 49 3rd Qtr. 2,161.36 5,165.06 18,367.92 2,13% 4,11% 49 3rd Qtr. 2,184.88 5,309.89 18,864.77 2,13% 4,14% 50			1 00 1 00			242/2021	0.50000071
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PROXY GROUP COMMON EQUITY RATIOS

Average Average Average Average 58.4% 59.0% 60.0% 58.0% 59.0% 46.2% 45.5% 47.0% 48.0% 45.3% 47.5% 44.0% 46.0% 46.0% 40.0% 47.0% 48.0% 46.0% 40.0% 40.0% 48.2% 44.5% 44.5% 40.0% 40.0% 54.7% 48.0% 40.0% 41.5% 40.0% 54.7% 48.0% 49.5% 40.0% 41.5% 40.0% 54.7% 48.0% 47.5% 40.5% 40.0% 41.5% 40.0% 54.7% 48.0% 47.5% 40.5% 40.0% 40.0% 40.0% 56.3% 56.0% 53.0% 55.3% 55.3% 55.3% 42.3% 42.3% 43.0% 43.0% 43.0% 43.0% 43.0% 44.1% 47.3% 43.0% 43.0% 43.0% 43.0% 43.0%							Historical	187				0	10-Year	5-Year	100	Projected		5-Year	Combined
ALIER ID.: SESSION SILVANIARIA (S.C.) SESSION SILVANI		Ticker	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013	Average 2010-2019	Average 2015-2019	2020	2021	2023-25	Average 2020-2024	5-Yr Historical & Projected Avg.
American Composition AEP 46.7% 48.4% 48.7% 48.7% 48.7% 48.7% 48.9% 48.8% 48.8% 48.8% 48.9%	Allete, Inc.	ALE	26.8%	55.7%	56.3%	55.4%	55.8%	63.7%	58.0%	59.0%	60.1%	61.4%	57.1%	58.4%	59.0%	60.0%	59.0%	59.3%	58.9%
American Electric Power Company AEP 48.7% 48.9% 61.0% 60.2% 61.0% 60.2% 61.0% 48.8% 43.8%	Ameren Corporation	AEE	50.8%	63.7%	49.4%	53.7%	51.7%	48.7%	51.3%	49.8%	48.8%	47.1%	50.6%	49.3%	45.5%	47.0%	49.0%	47.2%	48.3%
DTE Energy Company DTE (48.7% 48.4% 61.2% 62.9% 61.2% 61.2% 61.2% 61.3% 48.8% 43.8% 45.9% 41.7% 41.9%		AEP	46.7%	48.3%	49.4%	48.9%	51.0%	50.2%	50.0%	48.5%	46.8%	43.9%	48.5%	47.8%	44.0%	46.0%	48.0%	46.0%	46.9%
DUK 65.7% 54.9% 62.9% 52.0% 67.3% 46.7% 46.7% 46.7% 41.7% 60.3% 47.0% 48.7% 4	DTE Energy Company	DTE	48.7%	48.4%	51.2%	52.3%	50.0%	49.8%	44.4%	43.8%	45.8%	42.3%	47.8%	45.2%	40.0%	40.0%	41.5%	40.5%	42.9%
Exploit Corporation EXC 62.9% 64.0% 53.8% 65.2% 52.6% 51.3% 44.5% 47.2% 60.4% 51.0% 48.2% 48.2% 48.2% 48.5% 49.5%	Duke Energy Corporation	DUK	22.7%	54.9%	52.9%	52.0%	52.3%	51.4%	47.4%	46.0%	46.2%	44.1%	50.3%	47.0%	45.0%	44.5%	44.5%	44.7%	45.8%
EVRG EVRG 48.2% 48.4% 48.4% 48.1% 58.7% 58.9% 68.0% 68.0% 58.4% 54.5% 77.9% 47.5% 48.7% 47.5% 4	Exelon Corporation	EXC	52.9%	54,0%	53.5%	65.2%	52,8%	51.3%	44.5%	47.8%	47.2%	50.4%	51.0%	48.2%	48.0%	49.5%	49.5%	49.0%	48.6%
OCE Energy Comparation OGE 48.2% 48.4% 65.7% 65.7% 66.9% 88.9% 68.0% 64.5% 51.0% 65.7% 51.0% 65.3% 51.7% 61.5% 65.3% 51.7% 66.9% </td <td>Evergy, Inc.</td> <td>EVRG</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>60.0%</td> <td>49.4%</td> <td>NA.</td> <td>\$7.7%</td> <td>48.5%</td> <td>47.5%</td> <td>48.5%</td> <td>47.5%</td> <td>57.1%</td>	Evergy, Inc.	EVRG									60.0%	49.4%	NA.	\$7.7%	48.5%	47.5%	48.5%	47.5%	57.1%
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Average 50.9% 51.2% 50.8% 52.2% 51.9% 50.4% 48.6% 49.0% 47.6% 40.1% 47.3% 47.1% 47.5% 47.3%		可	46.3%	48.9%	46.7%	46.7%	47.0%	45.9%	43.7%	44.1%	43.6%	43.2%	45.6%	44.1%	43.0%	43.0%	43.0%	43.0%	43.6%
			50.9%	51.2%	50.8%	52.2%	51.6%	50.4%	48.6%	48.6%	49.0%	47.6%	\$0.0%	49.1%	47.3%	47.1%	47.6%	47.3%	48.2%

Source: Value Line Investment Survey, Rathos & Reports (several issues - August 14, September 11, and October 23, 2020).

ARIZONA PUBLIC SERVICE COMPANY DOCKET NO. E-01345A-19-0236

SURREBUTTAL TESTIMONY
OF
JORDY FUENTES

ON BEHALF OF THE RESIDENTIAL UTILITY CONSUMER OFFICE

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INTRODUCTION

- Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.
- A. My name is Jordy Fuentes. I am Director of the Arizona Residential Utility Consumer Office ("RUCO"). My business address is 1110 W. Washington Street, Suite 220, Phoenix, AZ 85007.

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- Q. ARE YOU THE SAME JORDY FUENTES WHO FILED DIRECT TESTIMONY IS THIS CASE?
- A. Yes.

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Α.

Q. PLEASE PROVIDE YOUR COMMENTS AND RECOMMENDATIONS
REGARDING COMMISSIONER MARQUEZ PETERSON'S NOVEMBER 17, 2020
LETTER.

14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 |

RUCO commends Commissioner Marquez Peterson for her letter of November 17, 2020, asking interested parties to look for and work together on ways to significantly reduce the Company's current average price per kWh. Due to scheduling constraints, there was not an opportunity for RUCO to collaborate fully with other interested parties. However, there are a number of ideas and principles outlined in the Marquez Peterson letter that, if combined together into a comprehensive plan and vigorously implemented, would certainly lead to lower rates. How low would rates be able to be lowered? That is hard to tell in the short term. Many of the potential resolutions to the ideas and principles in the letter will require a longer period of time to see the results. I will start with the ideas and principles that can be employed in the short term, and follow with comments regarding those that are more long term.

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LOW COST DEBT

Q. HOW CAN LOW COST DEBT REDUCE RATES IN THE SHORT TERM?

A. There are two significant ways low cost debt can help immediately reduce rates.

First, most utilities currently have a cost of debt above 4%, some even as high as 6%. Replacing higher cost debt with lower cost debt can immediately save ratepayers money, if those savings are passed on to ratepayers, rather than collected by shareholders. The functional equivalence of this is a refinance of a mortgage. Utilities make the decision as to when they take on debt and at what costs. As is now abundantly clear, the timing of these decisions matter. Every utility should be expending considerable energy and focus to reduce its cost of debt.

The second way a utility can immediately reduce rates is related to the acquisition of low cost debt. This Commission has traditionally held that a balanced capital structure is one where the debt and equity components of a utility is within the range of 40% to 60%. However, in these truly historical times of very low cost debt, a capital structure that is higher in equity than debt will result in ratepayers paying higher rates than necessary. In addition to refinancing existing debt at lower rates, utilities should take on additional low cost debt. The addition of this debt would likely result in a change in the capital structure. A capital structure comprised of 40%-45% common equity ratio, would be ideal in these times of low-cost debt. If these strategies are used, it is likely that ratepayers in all utilities would see significant rate decreases. In the case of APS, Commission orders and the current proposed debt financing ROO limits their common equity ratio to a minimum of 42%.

Of course it is doubtful that utilities would be in favor of changing their capital structures to include more debt than equity, because of self interest. The Company earns higher returns from the common equity in its capital structure. In other words,

there is an obligation to shareholders to maximize profits and there is a disincentive to reduce its cost of debt. Commission action may be necessary to require utilities to actively employ these two simple methods, which will lead to a reduction in rates. Mr. Cassidy and Mr. Radigan will both be discussing this further, and will be providing some scenarios related to both strategies.

RUCO endorses the concept of reflecting the historically low interest rates or costs of capital. As explained by RUCO witness Cassidy, the forecast of the Company's capital structure is that in the 2023-2025 period APS will rely significantly less on common equity and more on long term debt which today is at very low levels. Based

on the projected cost of debt and capital structure if a forecast capital structure was

used, similar to the concept of post-test year plant, RUCO calculates that rates

could be reduced by a further \$43.5 million per year.

This value is only for the change in debt/equity structure and does not reflect savings from refinancing existing debt. For example, o November 16, 2020 APS filed a bond offering prospectus with the Security Exchange Commission for a \$105 million bond offering at 2.6% where the proceeds will be used to py off the remaining balance of some existing devt with an interest rate of 4.7%. This will lower the Company's long-term debt rate. If the utility could take advantage of the current long-term interest rates and reduce its long term debt rate by 1%, the savings to ratepayes would be a further \$59 million

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SECURITIZATION

HOW CAN SECURITIZATION REDUCE RATES IN THE SHORT TO LONG Q. TERM?

In the short term securitization will not be a viable option to reduce rates. It is highly unlikely this complex process can be implemented quickly. RUCO continues to be supportive of the concept of securitization. The Commission is in the process of undertaking very ambitious clean energy goals. In order to move forward with the Commission's desired clean energy goals, rates must remain affordable. Shutting down these fossil generation assets before their end of life creates stranded assets, which ratepayers are generally tasked with paying for. Requiring ratepayers to pay for these stranded assets, in addition to the new generation assets needed to meet the clean energy goals, will assuredly push rates higher.

As was stated by the Company, many significant hurdles remain to make

securitization a usable tool. Legislative action is likely needed to accomplish this.

While securitization is not an option available today, RUCO is committed to working

towards making securitization an option, to not just keep rates affordable but to

actually reduce rates. Based on Mr. Radigan's preliminary analysis of the

Company's fossil generation assets, more than \$1 billion dollars remains in rate

base. In addition, if all of these fossil generation assets were to be securitized today,

rates for the Company could be reduced by nearly 20%. The promise of

securitization has the potential to significantly reduce rates for ratepayers,

throughout the state.

SUBSIDIES

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HOW COULD THE ELIMINATION OF SUBSIDIES REDUCE RATES IN THE SHORT TO LONG TERM?

This is a complicated question. Most utility rate design is based to some degree on a cost of service calculation. Even using this cost of service calculation, all rate design has some inherent subsidies built into it. As an example, not every house is the same distance from a transformer. Therefore, more infrastructure is needed to serve the customer who is further away as compared to the customer who is closer. The customer who lives closer to the generation asset, has less need for the costly transmission infrastructure, used to serve those customers who live farther away. These types of inherent subsidies are not what I believe Commissioner Marquez Peterson was talking about in her letter. I believe she was talking about decisions, made for public policy reasons, that are based in significant part more on ideology and social concerns more than fundamental economics.

This Commission has issued many such decisions. The Renewable Energy Standard adopted over a decade ago is one example. As a consequence of this standard, ratepayers in this Company's service territory have seen over \$1.25 billion dollars in additional costs passed on to customers. Customers in other utility service areas have also been burdened with additional costs. Simple examples to point out are the numerous customers grandfathered on net metering rates. They are being paid \$0.13 - \$0.14 for every kWh produced and exported to the grid, despite the fact that APS could acquire Commercial scale solar power for much less. The Solana Generating Station costs customers somewhere in the \$0.17 kWh range for the energy being generated there. Once the Commission required the acquisition of certain percentages of renewable energy by specific dates, utilities were hard pressed to buy it, despite the fact that prices were much higher previously

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and have fallen precipitously. Currently, customers could pay for about \$0.02 kWh today for energy with the same environmental attributes.

As is well known, "There is no such thing as a free lunch: *someone* is paying for it." Every decision by the Commission requires someone to foot the costs. Whether this "someone" is the entirety of ratepayers, individual ratepayers who are not participating and not benefitting from a specific program, or maybe even the utility itself, *someone* is paying for it. When these costs are passed onto ratepayers, surcharges are generally used to collect the costs from them. A few examples of these surcharges include the REST surcharge, the Lost Fixed Cost Recovery surcharge, and the DSM surcharge. In the test year APS reports that over \$270 million was collected through surcharges from customers (Exhibit LRS-3Dr, ppage 1 of 4 under Column "Electric Total", Line "Surcharges".)

Occasionally, I am asked why SRP's rates are lower than the Company's. Simple answers include, the Company has a 7 times larger service territory than SRP and there are differences in taxes between the two. Another important distinction is that the SRP is not regulated by the Commission and Commission mandates are not applicable to them. SRP engaged in what I would consider a wise strategy of not being an early adopter, but a follower, of significant investments in clean energy resources. This has served them well and has allowed them to focus on maintaining affordability rather than meeting public policy influenced arbitrary mandates.

RUCO would enthusiastically support the Commission initiating a detailed review of the continuation or elimination of subsidies and surcharges. This would likely be best accomplished through a generic docket. RUCO would even support the hiring of a third party to identify the subsidies and surcharges and make recommendations

to the Commission, regarding continuation or elimination of the subsidies or surcharges. This would likely take some time and the savings to customers would be realized at a future time.

PERFORMANCE INCENTIVE AND DISINCENTIVE MECHANISMS

permeate every decision a utility takes.

Q. HOW CAN PERFORMANCE INCENTIVE AND DISINCENTIVE MECHANISMS REDUCE RATES IN THE SHORT TO LONG TERM?

As was discussed in my Direct Testimony, traditionally performance incentive measures are to incent desired public policy outcomes outside of the utility's traditional core business operations. Among others these outcomes include increased renewable integration, energy efficiency, and system peak reduction. There are fundamental aspects of utility regulation, including the establishment of just and reasonable rates, and safe, adequate and reliable service. There should be little, if any, incentives awarded to meet these basic obligations. The Commission already has mechanisms to ensure that the utility is meeting the basic requirements of holding a CC&N. RUCO's recommendation in this case that the Company's ROE be reduced is directly related to the <u>basic</u> obligations of the Company. Customer service should not be an afterthought. This obligation should

The Commission may however take action and incentivize other desired outcomes. There are tremendous dangers in incentivizing such outcomes; the tail may be wagging the dog. The words of Lewis Carroll come to mind when thinking about this, "[i]f you don't know where you are going, any road will get you there." Having a well thought out, critically evaluated higher set of goals or priorities is of the utmost importance if the Commission is venturing outside of its traditional basic regulatory roles.

If the desired outcomes are slightly outside the traditional core business operations, incentivizing these desired behaviors may be appropriate only if the outcome is still focused on making the service more affordable or more reliable. There is mission creep in every large organization, and especially when parties with a financial stake in the outcome engage in lobbying. The Commission can avoid this by evaluating every proposal through the lens of how the ratepayers will benefit. This is its role in ensuring affordable and reliable service. When a Commission strays from its role, lobbied-for outcomes may result which do not improve adequate, reliable and affordable service.

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One example of this is incentives that have been put in place to increase the integration of renewable energy. Based on all the data modeling RUCO has seen, increased renewable energy integration will not reduce costs, it will in fact increase them. RUCO is not saying that renewable energy is per se bad. Renewable energy does have a significant role to play in the Commission's stated clean energy goals. However, RUCO stresses the focus on an ideological outcome, rather than the core function of ensuring affordable, adequate and reliable service, may exceed its authority. The Commissioners should thoroughly evaluate every decision that functions as a mandate and question how the implementation of the mandate will affect the affordability, adequacy and reliability of the service utilities are required to provide its customers.

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The Commission has before it a number of very significant proposed incentives that must go through a thoughtful, detailed sober process. These include the electric vehicle adoption policy, battery storage pilots and programs, and the recently approved energy rules. There is the potential for much good with these decisions, if they are based on a thorough analysis. The lack of a serious and thorough

analysis will likely result in incentives, paid by ratepayers, which may benefit special interests but that work contrary to the goals of affordability and reliability of service.

RATE DESIGN

Q. HOW CAN RATE DESIGN REDUCE RATES IN THE SHORT TO LONG TERM?

A. Rate design itself will not be able to reduce rates in the short term. Rates are developed to recover a specific revenue requirement (an appropriate amount of expenses and return on investments). While rate design and cost of service studies require a significant amount of quantitative analysis, ultimately, utilities must use sound judgments when setting rates for customers.

Effective rate design provides appropriate price signals to customers, especially in Arizona, where a utility's costs vary significantly depending on the time of day when energy is consumed. Advances in communication and metering technology are opening the door for more rate options for utilities, such as time of use rates and potentially even real-time pricing. Utilities must balance the ability to create more advanced rate structures with the need to have understandable rates that do not confuse customers. When done right, these types of rate offerings can help reduce expenses and the amount of investments needed. Rate relief related to proper rate design is realized over time, as expenses the need for investments reduce.

There are several proposals to change the on-peak period for pricing electricity by intervenors in this case. APS urges rejection of those as it believes the current on-peak period is reflective of actual system use. The goal of rate desing is to give price signals that encourage customers to shift usage to the off-peak period however that time period is designed. By doing so, the system will be utilized in a

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more efficient manner and cost could be lowered by not investing in equipment that is only used for short period of time.

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RUCO believes that the Commissioner should place greater emphasis and resources on developing technologies that enable the utility and customers to take full advantage the AMI meter technology that APS has already put in place. If the Commission is considering eliminating subsidies, a reallocation of some of the revenues currently being collected through the various subsidies might be redirected to improve in-home energy management technologies and company/customer communication technology.

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Q. Does this conclude your Surrebuttal testimony?

A. Yes, it does.